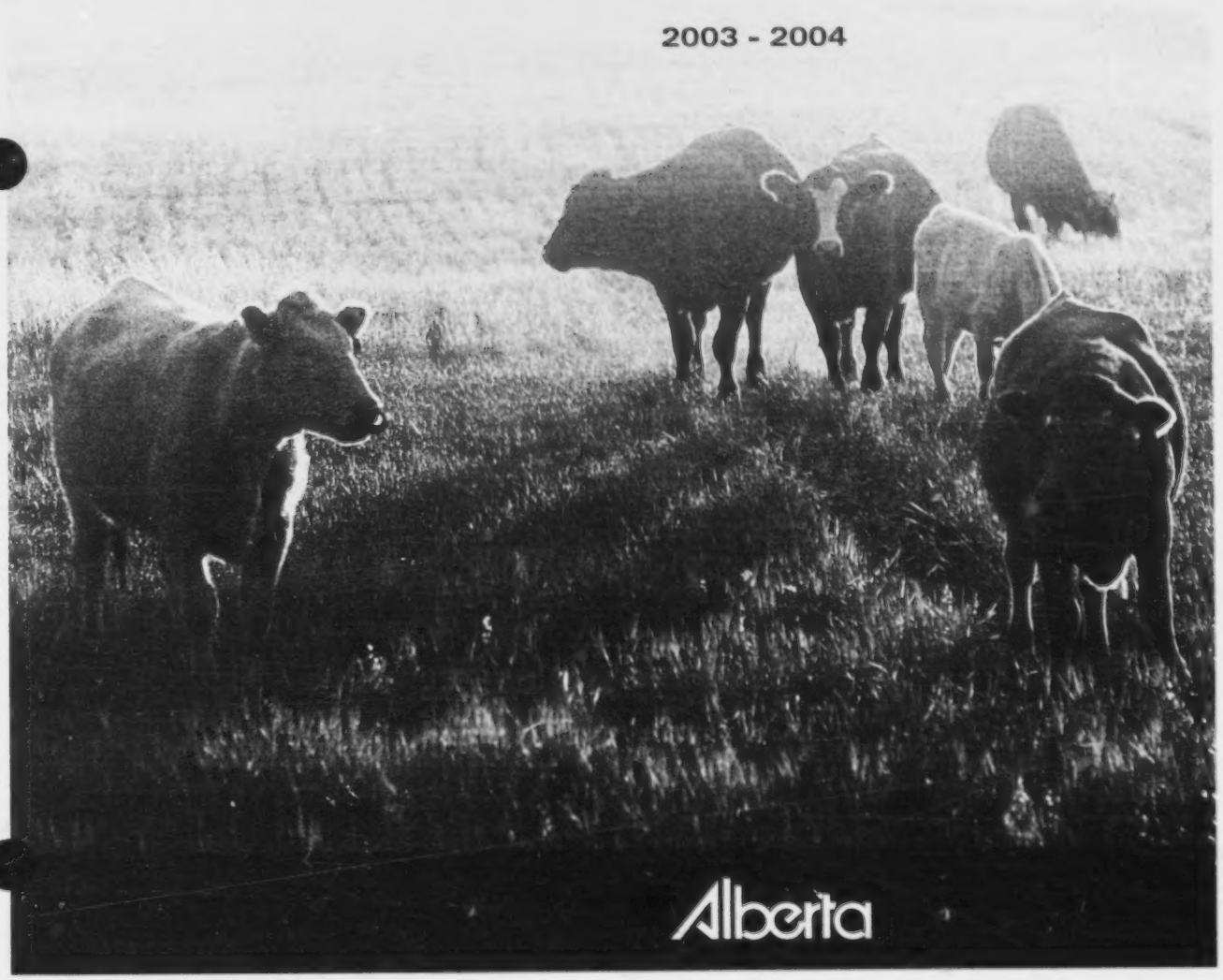
Alberta Agriculture, Food and Rural Development

Annual Report

2003 - 2004



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Preface

Public Accounts 2003-2004

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2004, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

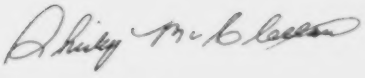
This annual report of the Ministry of Agriculture, Food and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture, Food and Rural Development, regulated funds, and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

105-02434/

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2004, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 7, 2004, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

September 7, 2004

Message from the Minister

The fiscal year of April 1, 2003, to March 31, 2004, was unparalleled in the history of agriculture in Alberta due to a single case of BSE diagnosed on May 20, 2003. Despite the crisis for the livestock industry and rural communities, we still had many successes during this time period, including our close working relationships with our industry partners.

Our foremost accomplishment was the more than $400 million Alberta invested towards BSE recovery programs, allowing approximately 1.2 million head of cattle to move through the value-chain and to sustain our critical livestock industry.

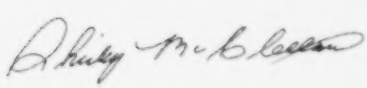
Two major strategies to further sustainability were also launched: the Beef Industry Strategic Framework, and the Rural Development Framework. The first initiative focused on increasing capacity to process and add value to beef in Alberta. The second was a culmination of an extensive consultation with rural Alberta to find ways to reinvigorate rural Alberta communities and led to developing a cross-Ministry workplan.

Many exciting new agriculture research strategies were announced for the province, with our partners the University of Alberta and the Alberta Research Council. They include the new Agriculture Research Innovation Strategic Framework, the Agri-Food Discovery Place, the Agri-Value Processing Business Incubator in Leduc and the Institute for Food and Agricultural Sciences.

We also announced that a new Level 3 Biocontainment Laboratory would be built in 2004-2005 to enhance our animal disease testing capabilities. In February of 2004, our enhanced provincial Level 2 Lab was approved to allow rapid-test capability, tripling our animal disease testing ability.

Our Call of the Land agriculture radio program, broadcast on 20 stations, celebrated its 50th Anniversary on April 1, 2003. In August, the Alberta Ag-Info Centre took its 100,000 call. An Ipsos-Reid poll in the fall showed the majority of wheat and barley producers continue to support marketing choice; hence, our communications campaign was launched.

Thanks to everyone – Ministry staff, industry partners, communities and businesses throughout the province for your support during this unprecedented period. We will never forget this past fiscal year, especially the resiliency of our producers.



Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Agriculture Financial Services Corporation*
- *Alberta Grain Commission*
- *Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

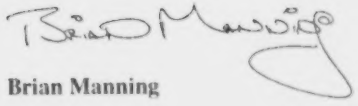
Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,

- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Agriculture, Food and Rural Development any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.



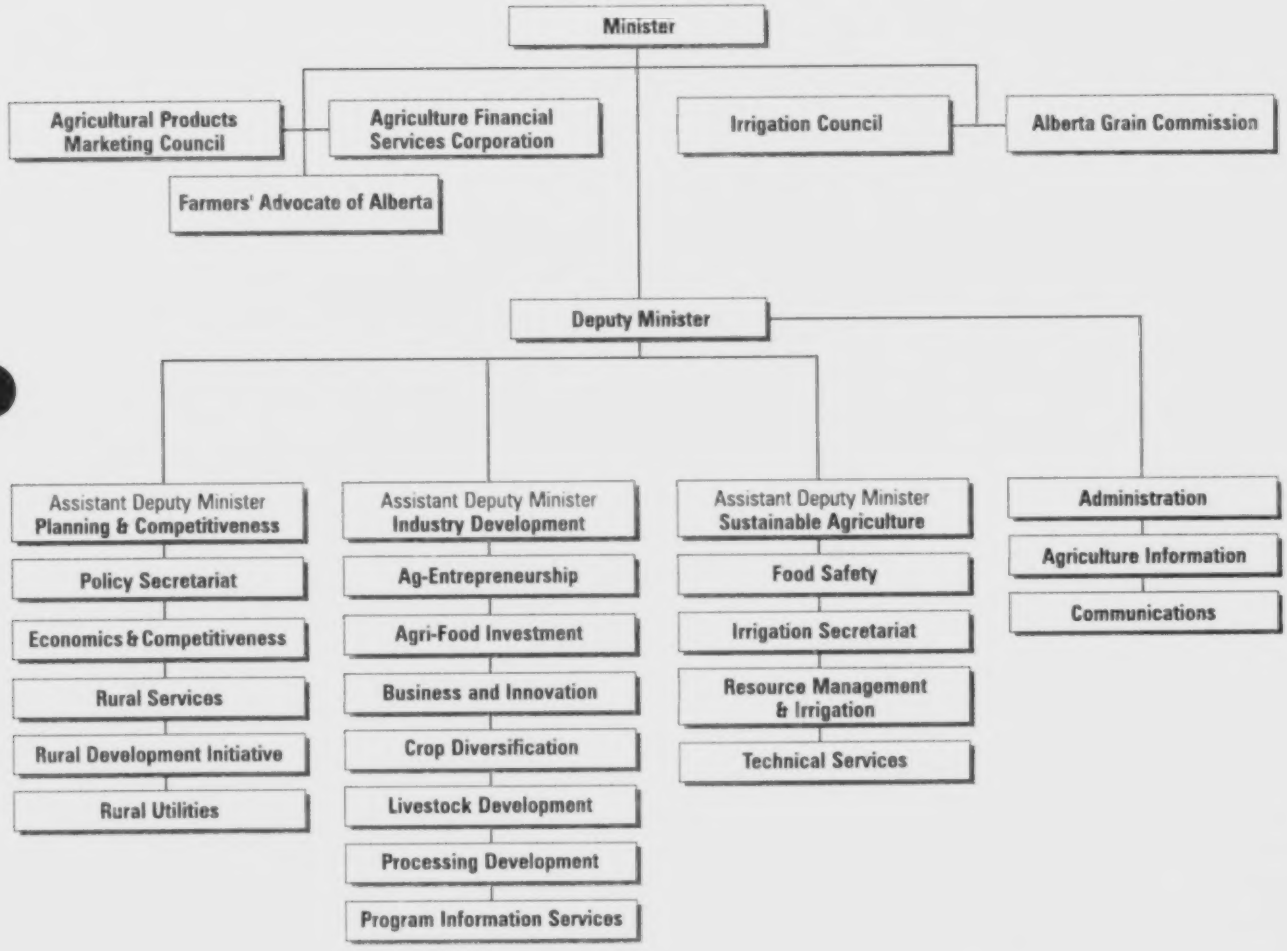
Brian Manning

Deputy Minister
Ministry of Agriculture, Food and Rural Development

September 7, 2004

Overview

Chart of Ministry Entities



Entities – Ministry of Agriculture, Food and Rural Development

Department

The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities. Visit the Ministry web site at **http://www.agric.gov.ab.ca**

Administration Division

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2179

Responsible for all revenues and expenditures, development and review of financial systems and procedures, coordination of the budgetary process and coordination of facilities required for the working environment of departmental staff.

Develops and administers human resource programs (staff and organization development, occupational health and safety, classification and compensation, recruitment and selection, employee relations and pay and benefits administration) to advise and assist line management in achieving its strategic objectives.

Provides effective support services to the Department in the area of electronic data processing development, maintenance and use.

Agriculture Information Division

#100A, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2727

Responsible for the planning, development, organization and evaluation of information programs including publishing, multi-media and executive communications. The Division also administers the Ministerial Action Request System, Legislation, Regulatory Review, MO's and Freedom of Information and Protection of Privacy, and the Division is responsible for Records Management.

Communications Branch

#100A, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-7099

Provides communications planning and consulting support to the Minister, Deputy Minister and Department. Develops and implements public communications programs that support the Department and the government through cross-ministry initiatives in meeting its business plan goals. Manages media relations, including the province-wide distribution of news releases and coordination of Department announcements and news conferences.

Planning and Competitiveness Sector

Policy Secretariat

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2070

Provides advice and recommendations and undertakes corporate projects to improve the policy and planning decisions of the Ministry. The Secretariat examines domestic, national and international policies, assesses their potential impact on Alberta's agriculture and food industry and makes recommendations on how the Ministry should respond to these challenges. The Secretariat currently concentrates on emerging issues in trade, innovation/biotechnology, research, environment, land use planning and domestic policy.

Economics and Competitiveness Division

#303, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-6168

Provides economic data and analysis expertise to assist the Alberta industry to optimize opportunities in agri-food products and services. Functions include applied economic and competitiveness analysis, benchmarking/forecasting as well as analysis of international markets, consumer behavior and emerging industry trends. Building upon economic and market research, the Division formulates strategies and assesses economic impacts for agriculture and food issues.

Responsible for playing an advocacy role for Alberta's agriculture and agri-food industry at key forums, conferences and bilateral discussions with the U.S. and other priority trading partners.

Rural Services Division

#200, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-9167

Responsible for the delivery of several farm income assistance programs, Farm Fuel Benefit Program, Alberta Farm Credit Stability Program, Feeder Association Loan Guarantee and disaster compensation under the federal Disaster Financial Assistance arrangements. Also responsible for program policy development, program evaluation and negotiating and managing federal cash flow requirements under the Agricultural Policy Framework and managing Alberta's obligations under specific federal/provincial bilateral companion agreements.

Promotes community-based, economically sustainable rural development by directing and supporting rural organizations and services such as agricultural service boards, agricultural societies, agricultural development committees, 4-H clubs and councils and recommending policy in rural development.

Responsible for coordinating and delivering educational, leadership and training programs such as 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom and farm safety in partnership with communities and other agriculture organizations.

Rural Development Initiative

#200, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-4920

The unit is responsible for managing the process to develop and implement a rural development strategy for the Province. The unit assists the Assistant Deputy Minister Cross Ministry Committee in coordinating the development and implementation of strategies and actions to support rural development in ministry business plans through the implementation of a cross-ministry initiative. The unit also provides input and liaison in partnership with the federal government to establish a national rural policy framework.

Rural Utilities Branch

Fifth Floor, Petroleum Plaza North Tower 9945 - 108 Street Edmonton, Alberta T5K 2G6 (780)427-1930

The Branch administers the Rural Gas, Rural Electric and the Remote Area Heating Allowance (RAHA) program areas. The Rural Gas and Rural Electric are cost sharing programs that help defray the high cost of constructing natural gas and electrical systems in rural areas. The RAHA program provides rebates to the cost of propane or fuel oil for individuals who are unable to obtain natural gas service at a reasonable cost.

The Branch also administers the *Rural Utilities Act*, which provides the framework for the establishment and business affairs for approximately 280 rural gas, electric and water associations in the province. In addition, the Branch also administers the *Gas Distribution Act,* which governs the issuing of franchise areas and the setting of all standards relating to the design, construction, operation, maintenance, quality assurance and plant records for rural gas utilities.

Industry Development Sector

Ag-Entrepreneurship Division

4709 - 44 Avenue Stony Plain, Alberta T7Z 1N4 (780) 968-3512

Strives to foster the people who create and develop new products and enterprises (including new services, technologies and uses) through diversification, access to new markets and/or adding value to existing products. The Division delivers results by leading projects that inspire new agri-entrepreneurs, expand the capacity of existing agri-entrepreneurs, cultivate new networks and remove barriers that impede agri-entrepreneurship growth and development.

Agri-Food Investment Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-7366

Attracts new investment to establish and expand agri-food processing and primary production in Alberta. Assists companies/investors to identify and evaluate investment opportunities, locate sources of capital, develop industry partnerships/alliances/joint ventures, complete feasibility studies and select site locations. Supports municipalities in the development of water/wastewater infrastructure for agricultural processing and administers funding under the Municipal Industrial Wastewater Infrastructure Program.

Business and Innovation Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-3166

Promotes the growth and prosperity of Alberta's agriculture, agri-industrial and agri-food industries. The Division's team of experts combines business knowledge with technical expertise to guide clients to maximize profits and growth. Works with producers, agri-processors and affiliated associations to capitalize on market opportunity, open doors to new markets and assist in the development of new products and/or processes, all with a focus on business management strategies. The Division's mandate is to help producers and agri-processors grow their businesses, resulting in a stronger Alberta agricultural industry.

Crop Diversification Division

#204, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-5341

The Division is dedicated to developing new technologies and agronomic information research (genetic improvement, agronomy, integrated pest management, technology transfer), which increases the net return to producers and the value of crops grown in the province. The Division's primary focus is on three goals: diversifying Alberta's crop economy through new crops, new classes and new quality factors which command a premium, continued advances in technology to keep producers competitive in a global market and proactive initiatives to prevent losses through integrated pest management.

Livestock Development Division

#204, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2166

Supports growth in the livestock, livestock products and forage industries by providing new technology to adjust to shifts in consumer demand and to remain competitive with other areas of the world. The Division uses technical expertise, applied research and information packages to support industry access to global markets. Collaborates in the design and implementation of safe food production systems, sustainable environmental initiatives and essential policies related to the livestock industry.

Processing Development Division

6309 - 45 Street Leduc, Alberta T9E 7C5 (780) 986-4793

Focuses on value added processing of agriculture commodities through laboratory development and pilot plant scale-up to develop new products, establish new technologies and improve existing processes. The work is done through the four units: the Food Processing Development Centre, the Centre for Agri-Industrial Technology, the Food Science and Technology Program and the Sensory Evaluation Program.

Program Information Services Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 644-2401

Provides leadership in setting the strategic direction of the Industry Development Sector, updating and reporting on the Growth Strategy, and partnering with Innovation and Science in the implementation of Alberta's Agriculture Research and Innovation Framework. Operates the Alberta Ag-Info Centre, which serves as contact point for commercial agricultural inquiries from producers and others in the Alberta agriculture community.

Food Safety Division

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-6159

Provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Includes partnership in food safety emergency response; support for development of on-farm production protocols; assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants; inspection of provincial slaughter plants; dairy farm inspection; food safety surveillance, animal health surveillance; research into food safety, animal health, crop and soil issues; and provision of essential non-routine diagnostic services.

Irrigation Secretariat

#328, Provincial Bldg. 200 - 5th Avenue South Lethbridge, Alberta T1J 4L1 (403) 381-5176

Provides administrative support to the Irrigation Council, administers the IrrigationRehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Resource Management and Irrigation Division

#206, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-4596

Provides policy advice and oversees the planning, delivery and evaluation of irrigation management and development as well as environmentally sustainable agriculture programming.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. Also manages the Alberta Environmentally Sustainable Agriculture program.

Technical Services Division

#306, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-0674

Directs and coordinates programs and policies to support the sustainable growth of the agriculture industry through research, testing and evaluation of technology and equipment, development of legislation and technical standards for confined feeding operations, and quality farm water supplies for domestic and livestock use.

Program areas include livestock welfare, engineering services, on-farm water management and environmental practices related to sustainable livestock and crop production.

Agencies, Boards and Commissions

Agriculture Financial Services Corporation (AFSC)

Lacombe Central Office 5718 - 56 Avenue Lacombe, Alberta T4L 1B1 (403) 782-8200

Camrose Central Office 4910 - 52 Street Camrose, Alberta T4V 4E8 (780) 679-1311

AFSC delivers a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta. It offers unique financial products and services not provided by others in the industry.

AFSC provides crop, forage and hail insurance, plus waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms. It also administers the Canadian Agricultural Income Stabilization (CAIS) Program, a whole-farm program for eligible producers regardless of the commodities they produce. The CAIS Program offers both relief for disasters as well as stabilization of income.

AFSC offers agriculture financial services such as farm loans and business analysis services for beginning and developing farmers, financial counseling and disaster financing for those facing disastrous reductions in farm production or income. AFSC also offers facilitation and sourcing of financing for companies in the agri-food and value added industry, and loans to the small business sector.

AFSC produces a separate annual report.

Alberta Grain Commission

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-7329

Provides policy recommendations to the Minister on any matter pertaining to the grain industry via its on-going review of all facets of the grains industry. Provides a daily grain price information service.

Irrigation Council

#328, Provincial Bldg. 200 - 5th Avenue South Lethbridge, Alberta T1J 4L1 (403) 381-5176

Established under the *Irrigation Districts Act.* Makes recommendations to the Minister on any matter under the Act. Sets policies and approves expenditures for the Irrigation Rehabilitation Program. Monitors irrigation district activities as outlined in the Act.

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2164

Advises the Minister on matters relating to the establishment, operations and control of the boards and commissions established under the *Marketing of Agricultural Products Act.* Provides assistance and advice to boards and commissions in support of their efforts in the areas of market development, research and promotion.

Farmers' Advocate of Alberta

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2433

Provides the Minister with information on issues concerning rural Albertans. Works closely with agricultural interest groups, Alberta Environment, Resource Development, Municipal Affairs, Infrastructure and other levels of government to formulate policy recommendations and procedures that affect the rural community. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that impact rural Albertans.

Administers the *Farm Implement Act, Farm Implement Dealerships Act, Water Well Restoration or Replacement Program, Wild Fire Cost Assessment Review* and Part 1 of the *Agricultural Operation Practices Act.*

Operational Overview

Ministry's Core Businesses

The Ministry contributes to the government's three core businesses: people, prosperity and preservation. Alberta Agriculture, Food and Rural Development's primary focus is on the second core business: prosperity – working with others to promote prosperity for Alberta through a strong, competitive agriculture and food industry that is sustainable and environmentally responsible.

Ministry core businesses:

- Facilitate industry growth
- Enhance rural sustainability
- Provide safety nets

Costs for Core Businesses

(unaudited)

Agriculture, Food and Rural Development
Ministry Expense by Core Business

(thousands of dollars)

Core Businesses	2003-2004 Estimates	2003-2004 Actual
Facilitate industry growth	$202,196	$239,387
Enhance rural sustainability	43,034	39,324
Provide safety nets	624,630	1,268,548
Ministry expense	**$869,860**	**$1,547,259**

Each of the five Ministry goals contributes to the achievement of these core businesses. The results constitute the role of Alberta Agriculture, Food and Rural Development in contributing to the Government of Alberta's core performance measures. The Results Analysis section of this annual report presents a comprehensive discussion of the Ministry Goals, the contributions to the Cross Ministry Initiatives, Performance Measures and Results of Operations for the fiscal year 2003-04.

Expense by Function

All Ministry expenses, with the exception of debt servicing costs, are reported under the Government of Alberta function: Agriculture, Resource Management and Economic Development.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all Ministry entities:

Actual Results Compared to Budget

(millions of dollars)

	2003-2004 Budget	2003-2004 Actual	2002-2003 Actual
Revenues	$449	$827	$910
Expenses	870	1,547	1,830
Excess of expenses over revenues	**$421**	**$720**	**$920**

AUDITOR GENERAL
Alberta

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly

In connection with the Ministry of Agriculture, Food and Rural Development's performance measures included in the *2003-2004 Annual Report of the Ministry of Agriculture, Food and Rural Development*, I have:

1. Agreed information from an external organization to reports from the organization, or where information is reported as not available, confirmed that the information is not available.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2003.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit, and therefore, I express no opinion on the performance measures included in the *2003-2004 Annual Report of the Ministry of Agriculture, Food and Rural Development*.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
September 1, 2004

Results Analysis

Results of Operations

The Ministry's financial results show consolidated revenues of $827.6 million in 2003-04, which is an $82.9 million decrease in revenues from 2002-03, and $378.7 million higher than budget. Consolidated expenses were $1,493.4 million. This figure is $136.5 million lower than in 2002-03. The net operating result was an excess of expenses over revenues of $719.7 million, which is $199.9 million lower than in 2002-03 and $298.8 million higher than budget.

Revenues

Revenues decreased by 9.1 per cent from the previous year. They were down $82.9 million and, as noted above, were $378.7 million higher than budget.

Revenue exceeded budget mainly because of federal contributions for the Canadian Agricultural Income Stabilization (CAIS) program, the Canada-Alberta BSE (Bovine Spongiform Encephalopathy) Recovery Program (CABSERP), and Canadian Farm Income Program allocations. The CAIS program was introduced this year to replace the federal Canadian Farm Income Program and the provincial Farm Income Disaster Program (FIDP) as part of the Agriculture Policy Framework (APF) agreement.

Revenue picture highlights include the following:

- Transfers from the government of Canada increased from the prior year by $144.9 million. This amount is comprised primarily of $158.3 million representing the federal share of CAIS program payments; $150.6 million representing the federal share of BSE recovery payments; $44.5 million increase in federal contributions for crop insurance programs; and $18.2 million for APF initiatives including irrigation rehabilitation, farm water and grasshopper control. These increases were offset by a reduction in Canadian Farm Income Program payments and allocations of $54.5 million and $171.6 million reduction in federal crop reinsurance recoveries.
- Reinsurance recoveries decreased by $104.4 million. The prior year incurred unprecedented insurance payments resulting from severe drought conditions.
- Premiums from insured persons were $43.8 million higher than 2002-03 receipts due to the enhancement of crop insurance programs and increased participation.
- Interest and investment income was $14.2 million lower than 2002-03 resulting from lower crop insurance fund balances.
- Fees, permits, licenses and other income was $3.8 million lower than 2002-03 and $0.6 million lower than budgeted.
- Revenue from discontinued operations of $149.2 million in the prior year represent the operations of the Dairy Control Board, which was privatized to Alberta Milk on August 1, 2002.

Expenses Compared to Budget

Expenses were $677.4 million higher than budget primarily as a result of BSE recovery and CAIS payments resulting from the BSE incident in May, 2003. The decline in market price of cattle caused severe income losses and hardship to the beef industry in Alberta.

- Insurance expenses were $144.4 million lower than budget. Favourable crop conditions throughout the province resulted in lower crop indemnities from budget, which is based on 20-year historical averages.
- Farm Income support payments were $301 million over budget. The implementation of the Agriculture Policy Framework agreement in 2003 resulted in the introduction of the Canadian Agricultural Income Stabilization (CAIS) program, which replaced the federal Canadian Farm Income Program (CFIP) and the provincial Farm Income Disaster Program (FIDP). CAIS expenditures were significantly higher this year as a result of BSE-related support payments.
- BSE Recovery Program expenditures of $488.6 million represent provincial and federal funding. Federal contributions for BSE Recovery were $150.6 million. BSE Recovery included the following programs: Canada-Alberta BSE Recovery Program, Alberta Fed Cattle Competitive Program, Alberta Fed Cattle Competitive Market Adjustment Program, BSE Slaughter Market Adjustment Program – Other Ruminants, Alberta Winter Feed Program, and Alberta Steer and Heifer Market Transition Program.
- Industry Development expenses exceeded budget by $44.4 million. $40 million was allocated to support market research and development initiatives in response to the ongoing impacts of BSE. Other increases included funding for other research initiatives.
- Sustainable Agriculture expenses exceeded budget by $4.5 million. The increased expenditure will support enhancements to transmissible spongiform encephalopathy (TSE) testing and animal health surveillance.
- Farm Fuel Distribution Allowance expenditures were $2.5 million lower than budgeted due to lower than anticipated sales of farm fuel.
- Planning and Competitiveness expenses exceeded budget by $1.7 million, resulting from BSE-related costs for Agriculture, Food and Rural Development's share of a market recovery strategy and the Stranded Beef Export Container Initiative.
- Lower than anticipated payments for irrigation programs and municipal wastewater projects resulted in Infrastructure Assistance expenditures of $9.1 million lower than budgeted.
- Debt servicing costs were $8.6 million lower than budgeted resulting from lower than anticipated participation in lending programs in the previous year and lower than budgeted interest rates in the current year.
- Valuation adjustments were $1.0 million higher than budgeted resulting from increased provisions for loan losses.

Expenses Compared to 2002-03

Expenses were down $283 million from last year. Highlights of the spending picture for 2003-04 compared to 2002-03 are as follows:

- Insurance expenses were $533.9 million lower than those in 2002-03. Record payments were made in 2002-03 to program participants in response to the most severe and widespread drought conditions experienced throughout the province in recorded history.

- Farm Income Support payments were $135.1 million lower than in 2002-03. In the previous year, assistance was provided to help producers through the worst drought in recorded history. Expenses in 2003-04 include the new Canadian Agricultural Income Stabilization Program (CAIS), Farm Income Disaster Program (FIDP), the Canada-Alberta Farm Water Program and the Canada-Alberta Grasshopper Control Program.
- BSE Recovery Program expenditures of $488.6 million represent provincial and federal funding. Federal contributions for BSE Recovery were $150.6 million. BSE Recovery included the following programs: Canada-Alberta BSE Recovery Program, Alberta Fed Cattle Competitive Program, Alberta Fed Cattle Competitive Market Adjustment Program, BSE Slaughter Market Adjustment Program – Other Ruminants, Alberta Winter Feed Program, and Alberta Steer and Heifer Market Transition Program.
- Industry Development expenses were $42.8 million higher than 2002-03 as a result of market research and development initiatives in response to the ongoing impacts of BSE. Other increases included funding for other research initiatives.
- Sustainable Agriculture expenses were $3.2 million higher than the prior year due to the enhancements to support transmissible spongiform encephalopathy (TSE) testing and animal health surveillance.
- Planning and Competitiveness incurred BSE-related expenditures to support market recovery and provide for the Stranded Beef Export Container Initiative. As a result, expenditures were $1.9 million higher than in the prior year.
- Farm Fuel Distribution expenditures were $1.0 million higher than in 2002-03.
- Lending expenses were $4.7 million higher than in 2002-03 due to lower than anticipated participation in the prior year.
- Infrastructure assistance program expenses were $10.3 million lower than in 2002-03 as a result of reduced irrigation infrastructure and municipal wastewater projects.
- Ministry support services expenses were $0.7 million higher than the prior year.
- Valuation adjustments were $3.4 million higher than in the prior year due to increased provisions for losses on lending portfolios.
- Expenses from discontinued operations in the prior year represent the operations of the Dairy Control Board, which was privatized to Alberta Milk on August 1, 2002.

Performance Measures Summary

For more information regarding performance measures, please refer to the following sections, Core Businesses, Goals and Measures and Performance Measures Methodology.

Performance measures continue to be refined following the transition to goal based planning in 2002-05 business planning cycle. Measures are more specific and focused on areas where the Ministry has the opportunity to influence.

Targets for the performance measures were established based on research at the time the business plan was written. Forecasts for the fiscal year 2003-04 were made in 2002-2003 and are included in the performance measures tables under the heading 2002-2003 Forecast. Summary tables, including the targets, forecasts for the fiscal year and the results, are included later in this document.

Performance measures results in the 2003-06 business plan have been greatly impacted by on going drought and by the case of BSE found in Alberta in May 2003 and the subsequent case found in Washington in December 2003.

Core Business 1: Facilitate Industry Growth

Goal 1: Growth of the Agriculture and Food Industry

The Ministry contributes to Growth of the Agriculture and Food Industry by encouraging new and diversified product development (primary and value-added food and non-food products), enhanced market access for agriculture and food industry products and improved agriculture and food industry business services, including access to capital, risk management tools, business and entrepreneurial processes and enhanced infrastructure.

The performance measures for this goal were designed to measure areas where the Ministry has some influence over growth of the industry.

Forecasted performance was exceeded for the following measures:

- Number of new processed food products produced at the Ministry's Leduc Food Processing Development Centre (FPDC).
- Number of agriculture and food industry sub-sectors for which competitiveness benchmark criteria have been established.

Forecasted performance was not achieved for the following measures:

- Percentage of clients fully satisfied with information and service provided by the Ag-Info Centre.
- Value-added investment supported by AFSC lending services*.
- Amount of Beginning Farmer Loans*.

* AFSC Commercial was involved in fewer major agribusiness projects during the year than expected. The delays in major value-added projects may have been caused by uncertainty surrounding BSE issues.

Goal 2: Continued Excellence in Food Safety

The Ministry contributes to this goal by promoting and/or ensuring appropriate safe food production and processing practices throughout the supply chain.

The measures for this goal recognize the importance of monitoring the adoption and implementation of food safety process control systems for, and in partnership with, the agriculture and food industry.

Forecasted performance was exceeded for the following measure:

- Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.

Forecasted performance was not achieved for the following measures:

- Percent of Alberta production from Alberta chicken farms, hog farms, and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs*.
- Percent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems#.
  - Meat (Hazard Analysis Critical Control Point [HACCP]-based)
  - Dairy (HACCP prerequisites)

* The details of the national system for recognizing the completed implementation of on-farm food safety programs are being finalized. Provincial commodity groups have begun program implementation; however, completed implementation will not be recognized until the national recognition system is implemented. Variances in commodity targets reflect the different stages of implementation of on-farm food safety programs in each of these areas of the industry.

- The measure reflects the proportion (%) of production produced, according to a national OFFS program for that commodity that has been successfully implemented and verified. The national "Chicken Farmer's of Canada" program has completed the technical review portion of the process required to attain national recognition.

There were 126 Licensed Meat Processing Facilities in Alberta between April 1, 2003, and March 31, 2004. None of those Licensed Facilities had implemented food safety process control systems during that time. The development of four new positions within Regulatory Services Branch of Alberta Agriculture, Food and Rural Development (AAFRD) and the creation of a plan to develop and implement HACCP systems in provincial meat processing (abattoirs) facilities were initiated in early 2004.

Core Business 2: Enhance Rural Sustainability

Goal 1: Improved Environmental Stewardship

The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, range management, climate change and biodiversity.

The measure attached to this goal monitors the implementation and continued utilization of stewardship practices within the industry, resulting from efforts supported or facilitated by the Ministry.

Forecasted performance was not achieved for the following measure:

- Percentage of respondents who have adopted improved practices as a result of Ministry-supported stewardship training (formal evaluation every three years)*.

* The adoption score out of a possible 54 eligible practices (i.e. if a farmer had livestock and water bodies on his/her land, a practice such as "fencing to manage livestock access to water" would apply) was 53% in 2003 (63% in 2000). Producers surveyed (n=500) indicated the prolonged droughts of 2001, 2002 and 2003, coupled with the ongoing BSE crisis, were the main reasons for not increasing the adoption rate of environmentally sustainable practices on their farms. In fact, 86% were impacted in some fashion by these severe financial hardships (40% very significantly).

Goal 2: Strengthened Rural Communities

The Ministry works to strengthen rural communities through its involvement in facilitation and leadership development, and by acting in a coordinating role. A cooperative effort to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders is necessary for community prosperity.

The measures for this goal target areas that contribute to strong rural communities and the Ministry's ability to impact the viability of those communities.

Forecasted performance was exceeded for the following measures:

- Number and diversity of agricultural related community activities supported by Rural Services programming:
  - The number of agricultural related community activities supported by Ministry programming exceeded forecast

Core Business 3: Provide Safety Nets

Goal 1: Effective Safety Net Programming

The Ministry contributes to this goal by providing safety net funding through programs such as the Canadian Agriculture Income Stabilization and Farm Income Disaster Programs, Crop Insurance, drought preparedness and disaster recovery initiatives. Increased stability coupled with targeted business management information allows producers to concentrate their management efforts on adoption of the most economically sustainable management practices for their area.

The measures for this goal are intended to report on the effectiveness of safety net programming. Some of the measures have been modified to help assess the effectiveness of the safety net programs when disastrous events occur in the agriculture industry.

Forecasted performance was exceeded for the following measure:

- Percentage of eligible seeded acres represented by farmers insured under crop insurance programs.

Future Challenges

The Ministry's measures are intended to show the effects the Ministry has on the three core business areas; however, measures are also impacted by significant influences that remain beyond the role and scope of Ministry programs and staff. The Ministry will continue to be challenged to refine its measurement processes to better isolate the reporting of its efforts to achieve its goals.

Major influences on Alberta's agriculture and food industries:

Weather

Weather has a major effect on the production of agriculture commodities in Alberta. A look at crop insurance program payments will show the variance this factor can introduce. Back in 1995, widespread drought caused crop insurance payouts to increase to $251 million. However in the

1999 calendar year, payouts were only $62.3 million. The year 2000 was also very dry, and payouts totaled $161 million. Continued dry conditions and widespread drought in 2001 increased payments to over $225 million. The year 2002 saw the most widespread and severe drought Alberta has experienced in recorded history. Payments exceeded $800 million.

Commodity Prices

The combination of long-term, downward trending commodity prices and upward trending input prices further eroded margins. This situation will continue to place an additional burden on producers' ability to remain in business.

Federal Government Programs and Policies

The future growth of Alberta's agriculture and food industries continues to be affected by federal government programs and policies. The reduction or removal of impediments inherent in federal programs and policies requires the ongoing work of Ministry staff along with their federal counterparts. For example, Alberta farmers marketing their grain continue to be affected by issues around grain transportation and marketing constraints and regulations.

To address some of these joint concerns, federal and provincial business risk management programs and policies continue to be considered through bilateral agreement negotiations that support the ongoing operation of the Agricultural Policy Framework. Bilateral agreements address in more detail the issues affecting each agreement's area of the agriculture and food industry.

The level of the Canadian dollar relative to the U.S. dollar impacts the prices received for international exports leaving Alberta. Similarly, these changes also impact producer input costs, particularly for those items imported from the U.S. A majority of the machinery, equipment and agricultural chemicals used on Alberta farms and ranches comes from U.S. manufacturers.

Government Programs and Policies of Other Countries

Markets in other countries are crucial to Alberta agriculture and food industries. As such, Alberta industries are significantly affected by both existing and future programs as well as policies in other countries.

The international demand for agriculture commodities changes constantly and significantly. In part, these alterations are due to changes in government programs and policies in other countries. Consequently, Albertans representing agriculture and food industries must continue to search for new markets. Without new markets, the forecast potential for growth will not occur.

Consumer Tastes, Social Norms and/or Standards

Changes in consumer tastes and demand can result in significant challenges. Since Alberta has a strong reliance on exporting agriculture and food products, producers must respond to these changes.

The food product industry must meet a particular challenge in that changing consumer demands often require significant lead time for research and development. For example, the move from producing rapeseed to canola took more than 10 years to complete. In today's fast-paced society, consumer tastes can and do change more quickly.

Issues around animal welfare, the environment, biotechnology and additional resource issues such as air, land and/or water will continue to affect the future direction of agriculture and food in this province. Social norms can drive significant changes in how these industries produce agriculture and food products, both in Canada and around the world.

The globalization of agriculture markets places Alberta producers and manufacturers at greater risk with regard to changing views, concerns and beliefs on what foods are safe and which ones are not. Food safety concerns have the public on alert, and the agriculture and food industries must address these concerns. More recently, terrorist attacks have placed governments on alert to threats to public safety in all industries. Similarly, the longer-term impacts on the industry of the global reaction to confirmed instances of animal disease such as foot-and-mouth and the transmissible spongiform encephalopathy family of diseases remain uncertain.

Core Businesses, Goals and Measures

The Ministry contributes to the government's three core businesses: **People, Prosperity and Preservation** and the following seven of the government's goals: 6, 7, 8, 9, 10, 11 and 12. Our primary focus is on the second core business – working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry.

The functions of the Ministry are aligned with government core businesses through three Ministry core businesses:

- Facilitate Industry Growth
- Enhance Rural Sustainability
- Provide Safety Nets

Core Business 1: Facilitate Industry Growth

This core business:

- Relates to the core government business of **Prosperity**.
- Relates to the opportunities for Alberta's primary agricultural production to grow to $10 billion and value-added industry to grow to $20 billion by 2010.
- Promotes adding value from production to finished consumer goods.
- Facilitates development of essential policy and legislation.

Core Business Cost $ 239.4 million (unaudited)

Goal 1: Growth of the Agriculture and Food Industry

This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on market opportunities. The Ministry contributes to this goal by encouraging new and diversified product development (primary and value-added food and non-food products), enhanced market access for agriculture and food industry products and improved agriculture and food industry business services, including access to capital, risk management tools, business and entrepreneurial processes and enhanced infrastructure.

Goal 1 Expense $226.3 million (unaudited)

The greatest expenses were incurred in the areas of provision of information, crop diversification and irrigation infrastructure, to support industry development and growth.

Strategy

Encourage market access, market responsiveness, diversity and industry competitiveness through the provision of information, technology and targeted research.

Results

- The Aquaculture Centre of Excellence was launched. This is an agreement between AAFRD, Alberta Fish Farmers Association and Lethbridge Community College and will serve as a research and development hub, and provide technical support to grow the aquaculture industry in Alberta, estimated value of Canadian fish feed industry is $178 million (2002 Statistics Canada).
- Dine Alberta Project completed with 44 restaurants across Alberta developing a special menu to showcase local crops, products and alternative farm raised meats. Ninety-six percent of chefs/restaurateurs who participated in Dine Alberta indicated they would participate again in 2004 if the program is repeated.
- As a member of the Institute for Food and Agricultural Sciences Alberta (IFASA), AAFRD provided leadership in the development of seven key research programs. These seven areas are genomics; value enhanced meats and meat products; bioproducts; feed supply and quality; health and wellness products; nutrient management and environment; food ingredient and fermentation products.
- As a result of the 2004 Diagnostic Training School, 800 front-line crop advisors from the agricultural service industries will be able to assist Alberta producers in field diagnostics. This will assist farmers in making good crop management decisions.
- Developed a unified audit protocol for beef carcass trace back that has been implemented at all major Canadian beef packers. New technology has been identified for use by abattoirs, dead stock trucks and mobile slaughter operations to ensure the integrity of data collection through electronic reading.

Strategy

Enhance efficiencies in production and processing through the delivery of business and technical information and services.

Results

- Through the development and implementation of the Renewal Chapter of the Agriculture Policy Framework, 220 farm units have participated in the Canadian Farm Business Advisory Service Program, facilitating better understanding of their financial status and potential action plans.
- In partnership with Agriculture and Agri-Food Canada, launched a new website: www.foragebeef.ca, which is a compilation of research and fact sheets related to forage and beef production in western Canada and the north western US.
- The 7th annual Agronomy Update was a "train the trainer" opportunity that provided 10.5 CEU credits and 6 Pesticide Applicator Renewal credits to industry agronomists and other industry information providers.

Strategy

Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation, lending products and providing risk management tools and training.

Results

- AFSC Farm Lending authorized 1,683 loans totaling $161.9 million. Total incremental investment facilitated by AFSC Commercial in Alberta was $112.9 million with AFSC contributing only $48.7 million in direct lending while facilitating $64.2 million from external alliance partner and investor funds.
- A total of 49 new investment projects with a capital value of $732 million in the agri-processing sector were identified and assistance provided to evaluate opportunities.
- New capital investment decisions were made by companies on six projects with a combined value of $30.5 million. Projects included two grain oat processing projects, cheese manufacturing, vegetable processing and juice packaging.
- Ten primary agriculture investment projects in beef, pork and vegetable sectors valued at $33 million were assisted with information and industry contacts.
- Financial assistance of $2.75 million was provided to a municipality to expand wastewater treatment capacity in order to accommodate expanded production of a potato processor in rural Alberta.

Strategy

Enhance the development of new products and processes to assist industry in capturing additional value added market opportunities.

Results

- Completed 117 client developmental projects, evaluated 9 new technologies (2 adopted by industry) and supported 3 new food companies through the Food Processing Development Centre.
- Through the Beef Product Market Development Program, 45 grant applications were approved providing over $7 million to companies for new product development, new market development and processing capacity expansion. The applicants will contribute an additional $20 million as their portion of the approved projects. The approved projects will utilize over 35 million kilograms of primarily over 30-month cattle for further processed meat products.
- The first year of the Alberta Value Added Corporation (AVAC) memorandum of understanding (MOU) was completed in September 2003. The AAFRD team completed 109 company visits that resulted in 23 Idea Builder applications and 2 pre-commercial applications submitted to AVAC.
- The marketing program has successfully worked with over 80 clients to facilitate the linking of producers with specialty retailers and chefs through Alberta Showcase events and the Alberta Pavilion of the Canadian Produce Marketing Expo.

Strategy

Develop and administer essential policy, legislation and regulation.

Results

- Analysis and impact assessment provided to policy makers on the US Farm Bill and country-of-origin labelling.
- Partnering with industry, the Foreign Animal Diseases Eradication Support was updated and a Mass Carcass Disposal Plan completed. Drafted the AAFRD contingency plan to deal with highly contagious foreign animal disease outbreaks.
- Completed the "Beef Industry Strategic Framework, which is an industry/government planning document for the next three to five years. Strategies focus on increased capacity to process and add value to beef in Alberta and on improved supply chain alignment.

- Completed amendments to: the Alberta Chicken Producers Marketing Regulation to provide for a new market development program and reduction of quota limitations, the Alberta Beef Producers regulations to provide for a cattle feeder council within their governance structure, and amendments for the barley, pulse, elk, and cattle industries to increase the service charge levy in order to sustain their operations and support industry research and promotion.
- Developed the cervid import policy that will be used as a tool to facilitate trade with Saskatchewan and the US.

Strategy
Advocate policies and programs that facilitate market access, industry growth and competitiveness.

Results
- Processed and approved 1,390 new applicants under Alberta Farm Fuel Benefit (AFFB) program. These farmers will now have access to marked fuel and farm plates, and will contribute to competitive marketing of their agriculture products.
- Alberta Grain Commission worked with AAFRD to develop a proposal for a test open market in Alberta. The proposal was presented to the federal government and to the Canadian Wheat Board.
- Subsequent to the discovery of BSE in May 2003, the BSE program was reviewed and enhanced with adoption of rapid diagnostic testing capabilities, review of surveillance, specified risk materials (SRMs), and feed and downer policies. Attained Canadian Food Inspection Agency approval of Food Safety Division enhanced Level II laboratory.
- Provided strategic advice and policy recommendations to industry and federal government regarding Canada's current international trade negotiations with a focus on the WTO agriculture negotiations.

Strategy
In partnership with industry and other ministries, provide programs and services to enhance human resource development.

Results
- The Green Certificate Program, which is an industry driven, competency-based training program, certified 347 trainees as production technicians and supervisors, and enrolled 822 high school students in the program.
- Restructured Veterinary Student program, resulted in 24 students (an increase of nine percent over 2002) working in practices that serviced primarily large animals (greater than 50 percent large animals).
- Twenty five companies accessed skilled employees through the Provincial Nominee Program offered in partnership with Alberta Economic Development.

Strategy
Work with partners to ensure that appropriate physical infrastructure is in place.

Results
- Work with Alberta Environment and water user groups in assessing irrigation water requirements, water supply risks, and water quality issues for proposed projects including: Keho-Barons, the Highwood-Little Bow development and the Special Areas Water Supply Project.
- In conjunction with Irrigation Council, audited the condition of approximately 80 randomly selected irrigation canals to ensure that Irrigation Districts are adequately maintaining irrigation infrastructure.

- Worked with partners in the establishment and monitoring of eight water quality and flow monitoring sites to assess potential impacts on the proposed Special Areas Water Supply Project.
- In partnership with Alberta Infrastructure, developed plans for construction of a Biocontainment Level III laboratory to support agricultural testing and research in Alberta.
- Approved plans and provided $14 million in cost shared funding to rehabilitate water distribution infrastructure within Alberta's 13 irrigation districts.

For more information regarding the following performance measures, please refer to the Performance Measures Summary and Performance Measures Methodology sections.

Goal 1 Performance Measures	2002 - 2003 Forecast	2005 - 2006 Target	2003 - 2004 Result
Number of new processed food products produced at the Ministry's Leduc Food Processing Development Centre (FPDC)	110	120	148
Percentage of clients fully satisfied with information and service provided by the Ag-Info Centre	95% of clients fully satisfied with service received	95% of clients fully satisfied with service received	92% of clients fully satisfied with service received
Value-added investment supported by AFSC lending services	$77 million	$85 million	$26.5 million*
Amount of Beginning Farmer Loans	$125 million	$145 million	$92.3 million
Number of agriculture and food industry sub-sectors for which competitiveness benchmark criteria have been established	2	5	4

* AFSC Commercial was involved in fewer major agribusiness projects during the year than expected. The delays in major value-added projects may have been caused by uncertainty surrounding BSE issues.

Goal 2: Continued Excellence in Food Safety

This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international. The Ministry contributes to this goal by promoting and/or ensuring appropriate safe food production and processing practices throughout the supply chain.

Goal 2 Expense $13.1 million (unaudited)

Expenditures were incurred to deliver agri-food surveillance, regulatory services, safe food assurance and agri-food laboratories programs. Resources were also allocated to support emerging food safety issues.

Strategy

Develop, implement and maintain a food safety surveillance system that validates the safety of Alberta's agriculture and food products.

Results

- Surveillance systems and information validating the safety of Alberta's agriculture and food products were completed. Examples include: transmissible spongiform encephalopathy surveillance (BSE), pork antibiotic residues, *E. coli* O157:H7 in cattle, antimicrobial resistance in cattle populations, *Salmonella* in poultry and pork, and liver flukes in elk and cattle.
- Continued to develop analytical techniques for residue and rapid pathogen detection to support food safety surveillance and the promotion of the safety of Alberta's agri-food products (for example sulfamethazine, tetracycline, macrolides antibiotic residue testing in honey and milk, and sulfonamides, beta lactams, macrolides and tetracycline antibiotics in pork).
- Developed rapid molecular detection methods for *Salmonella* sp., verotoxigenic *E. coli*, *Cryptosporidium* spp., *Cyclospora* spp. and avian influenza virus.
- Developed computer applications in support of food safety surveillance, including the Agriculture Integrated Data Management System (ADIMS), a food safety surveillance application which manages inspections and complaints and the Agri-food Information Management System, an animal health and food safety surveillance application, which tracks and reports on lab samples.

Strategy

Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.

Results

- AAFRD supported 17 commodity groups (beef, swine, poultry, dairy, horticulture and grain) in the implementation of national On-Farm Food Safety (OFFS) programs. Participated in the National Technical review process for OFFS systems.
- Supported the Alberta Counter-Terrorism Crisis Management Plan. Conducting Critical Infrastructure site visits.
- Assisted the food processing, transportation, distribution and retail industries with implementation of Hazard Analysis Critical Control Point (HACCP) program. Meat Facilities Standards (HACCP pre-requisites) were maintained in provincially licensed slaughter and processing facilities.
- Participated in federal/provincial/territorial processes dedicated to food safety process control systems development and implementation.

Strategy

Develop and administer essential policy, legislation and regulation.

Results

- Developed and implemented a strategy to ensure the removal of specified risk material from the human food chain as a consequence of the discovery of BSE in Alberta.
- Ensured that food safety standards in meat products were met by inspecting over 3.8 million carcasses from Alberta's licensed red meat and poultry plants.
- Compliance with regulatory requirements was ensured by investigating 524 incidences of food safety complaints, providing information and proceeding with prosecution if appropriate.
- With respect to various regulations, consulted, completed or amended; Purchase and Sale of Eggs and Egg Products Regulation and Alberta Chicken Producers Marketing Regulation that made licensing conditional upon compliance with the On-Farm Food Safety Program.
- Certified 299 persons under the Production Animal Medicine Regulation providing assurance that lay staff involved in the sales of veterinary drugs have sufficient knowledge.

Strategy

Develop and transfer knowledge and technology in support of safe food production and processing.

Results

- Maintained ISO 17025 accreditation of appropriate laboratory test procedures.
- Created awareness and provided training and publications on HACCP and bio-security to AAFRD staff, agri-food industry personnel and the public to enhance the level of food safety in Alberta.
- Published new information products regarding west Nile virus, avian influenza, BSE, rural water safety and proper pesticide application.
- Published 42 scientific works that included refereed papers, interim and final project reports to funders, papers for conference proceedings, posters, fact sheets and popular articles.
- Produced media releases and broadcast radio messages on handling and storing food safely.

Strategy

Provide information, training and other programs that enhance food safety awareness and emergency response.

Results

- Food Safety Division, Agri-Food Systems Branch, and Chief Provincial Veterinarian web sites were maintained.
- Successfully partnered with CFIA and Alberta Health and Wellness on crisis response in two incidents of food borne illness. These crises included an outbreak associated with cheese made from unpasteurized milk and a second incident with eggs (that resulted in eggs being diverted from retail) containing *Salmonella enteritidis*. The Canadian Alberta Partners in Food Safety (CAPiFs) group Food Borne Illness Outbreak Response Protocol was revised and strengthened in response to these outbreak incidents.
- One egg laying flock was identified with *Salmonella enteritidis* that resulted in eggs being diverted from retail.
- Provided food processors and others with HACCP videotapes to help them develop food safety and quality control programs.

Strategy

Participate, as appropriate, in national traceability initiatives.

Results

- Participated on national working groups that identified the issues associated with a national food traceability system in Canada and supported development of Can-Trace, the platform for a national traceability system for food produced in Canada.
- Continued consultation for the regulatory review of Acts and regulations governing brands and brands inspection.
- Completed amendments to the Alberta Sheep and Wool Commission regulations to implement the Canadian Sheep Identification program.

For more information regarding the following performance measures, please refer to the Performance Measures Summary and Performance Measures Methodology sections.

Goal 2 Performance Measures	2002 - 2003 Forecast	2005 - 2006 Target	2003 - 2004 Result
Number of active surveillance sampling programs that identify the incidence of food contaminants or residues	8	10	17
Per cent of Alberta production from Alberta chicken farms, hog farms and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs			
• Chicken farms	0%	90%	Not available*
• Hog farms	0%	90%	Not available*
• Beef feedlots	0%	50%	Not available*
Per cent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems			
• Meat (HACCP-based)	0%	20%	0%**
• Dairy (HACCP prerequisites)	0%	70%	0%**

* The details of the national system for recognizing the completed implementation of on-farm food safety programs are being finalized. Provincial commodity groups have begun program implementation; however, completed implementation will not be recognized until the national recognition system is implemented. The dramatic increase from actual to target reflects the anticipated percentage of production under on-farm food safety programs in place when the recognition system is implemented. Variances in commodity targets reflect the different stages of implementation of on-farm food safety programs in each of these industries.

- The measure reflects the proportion (%) of production produced, according to a national OFFS program for that commodity that has been successfully implemented and verified. The national "Chicken Farmer's of Canada" program has completed the technical review portion of the process required to attain national recognition.
- The measure reflects the proportion (%) of production produced, according to a national OFFS program for that commodity that has been successfully implemented and verified.

** All provincially licensed facilities have been audited and continue to meet the requirements of regulation. Meat facility standards and HACCP pre-requisites are in place. A national recognition system for HACCP programs in facilities that are not under federal jurisdiction is under development at the federal/provincial/territorial level with the intention that food safety requirements in one province would be equivalent to those required in another. Alberta provides coaching, training and other assistance for industry implementation of food safety programs that will enable provincially licensed facilities to achieve national recognition of their programs in the future.

Core Business 2: Enhance Rural Sustainability

This core business:

- Relates to the core government businesses of **Preservation**, **Prosperity** and **People**.
- Relates to maintaining and improving agriculture's physical and human resource base.

Core Business Cost $ 39.3 million (unaudited)

Goal 1: Improved Environmental Stewardship

This goal recognizes it is the responsibility of the Ministry to support the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, range management, climate change and biodiversity.

Goal 1 Expense $19.1 million (unaudited)

The majority of these expenses were incurred in the areas of environmentally sustainable agriculture, conservation and development and various legislative initiatives related to soil conservation, water quality, air quality, range management, climate change and biodiversity.

Strategy

Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.

Results

- Producers and the industry were provided information through consultations, presentations, displays (eight trade shows) in a variety of mediums (website, fact sheets, manuals, articles, newsletters, technical papers). Topics included direct seeding, sprayer technologies, alternative energy options, biodiesel, water systems, water supply design, water treatment and updates on odour research. Staff were key contributors to Beneficial Management Practice (BMP) manuals (poultry, pork, beef, crop), the Environmental Farm Plan (energy, fuel storage, farm website, nuisance) and key Ministry manuals. The purpose of these manuals is to provide Alberta producers with information to reduce agriculture's impact on soil, water, and air, and to define reasonable, acceptable environmental practices.
- Supported The Canada/Alberta Farm Stewardship Program (CAFSP). The design team developed a 'made in Alberta' list of Beneficial Management Practices (BMPs) to assist producers in adopting environmentally beneficial management practices. Alberta is the first province to complete this work and has had a significant positive impact on the National Farm Stewardship Program under the Agricultural Policy Framework (APF).
- A significant amount of support (consultation, extension and materials) was provided to the Natural Resources Conservation Board (NRCB) and their clients. Topics ranged from dispersion modeling, odour control, minimum distance separation (MDS), manure injection, incorporation, and livestock facility development. This helped to enable the judicious and environmentally sound expansion of Alberta's livestock industry.

- The Alberta Farm Water Program and the Canada Alberta Farm Water Program was delivered. Under the two programs, about 14,000 applications were processed, and $16 million in assistance was provided towards developing long-term water supplies. This leverages into tens of millions of dollars into water infrastructure in the province.
- Worked with partners and local watershed groups to demonstrate beneficial management practices (BMPs) in the Beaver Creek, Battersea Drain and Lower Little Bow River watersheds as part of the Oldman River Basin Water Quality Initiative.
- Provided information support for producers and industry to improve irrigation and energy use efficiencies of irrigation systems through irrigation management training and development of the Irrigation Management Climate Information Network (IMCIN).
- Provided an integrated irrigation training program to industry and producer organizations that in turn provided agronomic and water management advice to individual irrigation producers throughout southern Alberta.
- Continued the distribution of greenhouse gas (GHG) related information bulletins and brochures. Based on results from a stakeholder attended GHG Workshop, the GHG Mitigation Workbook will be changed to a series of booklets as part of a new delivery mechanism.
- Continued development of a Corporate Spatial Web Service Project to support key initiatives such as the Drought Information Management System (DIMS), the Agro-Climatic Atlas of Alberta and the Agriculture Regions of Alberta Soil Inventory Database (AGRASID).
- As a commitment under the Environmental Chapter of the Agricultural Policy Framework, worked closely with federal and provincial ministries and private sector partners to complete a Geographic Information System-based scan of environmental issues facing the agricultural industry. The scan identified priority areas for delivery of BMP's and environmental farm plans (EFPs) in Alberta. An Agricultural Land Resource Atlas of Alberta was produced to assist EFP facilitators and producers completing EFPs.
- Industry training and communication programs and tools were developed to support extension activities related to environmental sustainability in the agriculture sector and to build capacity in the agriculture industry through effective capable Rural Extension Staff. Assisted 61 agricultural service boards (ASBs) and 21 agricultural groups (23 formal partnerships) in the delivery of local community based extension programs.
- Provided financial and technical support for the operation of the industry lead Environmental Farm Plan (EFP) program. Technical and communications support was provided for the delivery of the workshops and training of the technical advisors; 1,485 farm units completed the EFP workshops.
- Broadcast over 200 radio interviews and messages on environmentally sustainable practices.

Strategy

Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing.

Results

- Completed the "Phosphorus Loading of Soil Through Manure Application and Subsequent Transport with Runoff: *The P-Mobility Study.*" The results were used extensively in discussions and consultations surrounding the development of phosphorus limits for Alberta. Project findings have also been incorporated into technical and extension publications as well as presentations at workshops and conferences both provincially, nationally and internationally.
- Initiated manure injection trials and developed testing protocols.

- Contributed to the Intensive Livestock Working Group's Air Quality Strategy, developing an extensive literature review of Canadian research on livestock air quality.
- Two significant research projects were initiated: the Odour Control Initiative and the Assessment of Water Treatment Technologies. The Monitoring and Analysis of Particulate Matter From Feedlots project was completed. Other projects included working with the Canada-Alberta Crop Development Irrigation Research Farm looking at conservation practices under irrigation.
- A number of projects were evaluated including:
  - Integrated manure utilization systems
  - Effects of moisture on the composting process
  - Chicken and large animal mortality composting
  - Bioenergy evaluation
  - Dugout water treatment evaluations for water quality improvement
  - Reverse osmosis filter system evaluations
- Continued work with Alberta Environment and Alberta Sustainable Resource Development in the implementation of Phase II of the South Saskatchewan River Basin Water Management Plan. As part of this study, worked with Basin Advisory Committees in the Red Deer, Bow, Oldman and South Saskatchewan River Basins to assess public concerns regarding environmental protection and development.
- Worked with the irrigation districts to develop on-farm irrigation system and infrastructure databases required for continued water demand modeling and individual district decision-making.
- Conducted applied research to quantify irrigation water management strategies and developed water use monitoring and audit systems for industry use.
- Partnered with Agriculture and Agri-Food Canada to assess the impact of manure incorporation methods to reduce nutrient runoff to surface water.
- Conducted applied research to assess the practicality of vegetative buffer strips adjacent to surface water to reduce nutrient losses to rivers, streams and irrigation canals.
- Completed and distributed the GHG Science Plan. Initiated the development of a strategic roadmap for agricultural GHG research.
- Initiated a prairie-wide collaborative research project with the University of Saskatchewan, University of Manitoba and Ducks Unlimited to quantify nitrous oxide and methane emissions from soils on farmed landscapes with wetlands.
- Continued to maintain long-term sustainable cropping studies at Three Hills. These plots are also providing nitrous oxide (greenhouse gas) measurements for tillage and crop treatments.
- As a partner in Reduced Tillage Linkages (RTLinkages) and the National GHG Mitigation Program, established four demonstration farms and 26 on-farm demonstrations to increase producer awareness of BMPs that mitigate GHGs in cropping and manure management systems.
- Published results of the 2002 Farm Environment Management Survey for Alberta.
- Extracted and analyzed data from the 2002 Farm Financial Survey, to assess the environmental behaviour of Alberta farmers.

Strategy

In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.

Results

- Continued to deliver extension materials and presentations on the *Agricultural Operation Practices Act* (AOPA) to inform producers on the impacts of the legislation (Reference Guide, Fact Sheets for Cow-Calf Producers, Existing Operators, Direct Seeders, Confined Feeding Operations Fly Guide, and Common Nuisance – Flies). All information materials were posted on Ropin' the Web.
- Provided technical expertise to the Natural Resources Conservation Board and their clients. Topics ranged from dispersion modeling, odour control, minimum distance separation to high profile issues such as leakage detection, ground water monitoring and concrete standards.
- Completed consultations with key stakeholders regarding the *Agricultural Operation Practices Act* (AOPA) – Targeted Review. The Standing Policy Committee of Agricultural and Municipal Affairs approved recommendations based on this review. Amendments to AOPA were approved in the Spring 2004 session of the Legislature.
- Worked with partners to integrate the Oldman River Basin Water Quality Initiative and Oldman Basin Advisory Committee to form the Oldman Watershed Planning and Advisory Council, as identified in Alberta Environment's "Water For Life Strategy."
- Worked with partners to continue the applied research work on phosphorus impacts on surface water in Alberta's agricultural areas. Worked with partners to continue to develop soil phosphorus limits for all agricultural lands in Alberta. Eight small watersheds were continuously monitored to determine runoff volumes and phosphorus concentrations in runoff from a variety of soils and landscape types in Alberta.
- Implemented changes regarding the classification of land for irrigation within the irrigation districts to ensure the long-term sustainability of irrigated land in Alberta.
- Worked with other ministries (Municipal Affairs, Environment, Sustainable Resource Development and Energy) on policy matters ranging from Alberta's Public Land Use Policy, Surface Rights Compensation, and the Federal Government's Species at Risk Act, Climate Change, Greenhouse Gas and Coalbed Methane.
- Provided AAFRD input to the cross ministry approved "Water for Life" strategy.

Strategy

Monitor the effect of the agricultural production and processing industry on soil and water quality.

Results

- Continued to monitor 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impact of the agricultural industry on surface water quality. Initiated a five-year water quality trend analysis.
- Completed data collection for groundwater quality monitoring that is evaluating the relationship between agricultural intensity and shallow groundwater quality.
- Completed an analysis of the first five years of the 42 Soil Quality Monitoring Benchmark Sites. In addition, completed analysis and report of micronutrient levels in the benchmark soils. Also collaborated with the University of Manitoba to evaluate the retention ability of the benchmark soils for pesticides. Initiated development of a soil quality index for agricultural soils in Alberta as a Ministry measure.

For more information regarding the following performance measure, please refer to the Performance Measures Summary and Performance Measures Methodology sections.

Goal 1 Performance Measure	2002 - 2003 Forecast	2005 - 2006 Target	2003 - 2004 Result
Percentage of respondents who have adopted improved practices as a result of Ministry-supported stewardship training (formal evaluation every three years)	63%	68%	53%*

* The adoption score out of a possible 54 eligible practices (i.e. if a farmer had livestock and water bodies on his/her land, a practice such as "fencing to manage livestock access to water" would apply) was 53% in 2003 (63% in 2000). Producers surveyed (n=500) indicated the prolonged droughts of 2001, 2002 and 2003, coupled with the ongoing BSE crisis, were the main reasons for not increasing the adoption rate of environmentally sustainable practices on their farms. In fact, 86% were impacted in some fashion by these severe financial hardships (40% very significantly).

Goal 2: Strengthened Rural Communities

This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry works to strengthen rural communities through its involvement in facilitation and leadership development, and by acting in a coordinating role. A cooperative effort to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders is necessary for community prosperity.

Goal 2 Expense **$20.2 million** (unaudited)

Expenditures were incurred to deliver 4-H programs, educational and community services and rural development initiatives.

Strategy

- Provide leadership development for youth and people actively engaged in agriculture and community organizations.

Results

- In partnership with industry and other ministries, the 4-H program provided 28 provincial educational programs involving over 1,900 youth and 600 volunteer leaders.
  - 91 per cent (expected target by 2005-06 is 85 per cent) of 4-H youth participating in provincial 4-H activities reported effective learning from ministry supported 4-H programming.
  - 92 per cent of 4-H volunteers participating in provincial 4-H activities report effective learning, increased farm management skills strengthened interpersonal skills from Ministry supported 4-H programming.
  - 93 per cent of Alberta 4-H members and leaders reported a change in knowledge, attitudes, skills and aspirations through networking and information sharing with members and leaders from other provinces and countries.

- Revised and developed speaking and judging resources for use in 4-H Communications competitions.
  - Over 450 Public Speaking and Presentations Competitions were organized by 4-H Clubs and communities. Over 8,000 participants gained experience in communication skills and developed confidence in addressing an audience.
  - Over 20 Organizer's Workshops were conducted across Alberta to train volunteers in planning, organizing and implementing competitions.
- Alberta 4-H Council established a revised council vision and program plan to increase volunteer committee involvement and raise awareness of program policies. The Council has established nine committees to review and clarify policy; 30 policies are in draft or final approval stages.

Strategy

Facilitate the development of sustainable communities, organizations and agricultural businesses that are networked, flexible, adaptable and manage change pro-actively and positively.

Results

- The Alberta 4-H program received the *2003 Growing Alberta Leadership Award for Building Youth Leadership*.
- Provided $8.67 million support through grant funding to 283 agricultural societies in Alberta communities for community facility operation, agricultural activities and rural development, leadership and training activities.
- Ministry supported rural tourism by partnering with Travel Alberta to develop a comprehensive rural tourism publication, with a 200,000 copy distribution province-wide.
- Supported improvement in the quality of life in agricultural communities by funding 112 community-initiated projects ($2.95 million) under the Agricultural Initiatives Grant Program.
- Alberta Association of Agricultural Societies has developed a strategic plan to improve services to member societies that would facilitate the development of sustainable agricultural communities in Alberta.
- The Rural Development Initiative (RDI) participated with private sector and public agencies in sponsoring a think-tank and idea generation process to address the issue of "last mile" technology service to rural residents. Several pilot projects have been initiated by new cooperative ventures, and the think-tank recommendations for community engagement will be released.

Strategy

Co-ordinate a multi-ministry approach to rural development.

Results

- Ministry collaborated with Rural Education and Development Association and Alberta Mentoring Partnership (AMP) to provide Alberta's rural youth with positive developmental opportunities, to be delivered through the AMP Conference in June of 2004.
- The Ministry together with industry contacts, RDI assisted the Alberta Rural Youth Council (which consists of past and present 4-H members) to become established. This youth council's focus is to determine ways to help rural Albertans (ages 18-34) to become more involved in their communities.

- RDI supported the ADM Cross Ministry Committee in its work on the Cross Ministry Initiative-Economic Development Strategy by developing the assessment matrix of rural focused activities already being delivered. This matrix was used to catalogue the activities of 23 ministries. The resulting Access database is available to all participating ministries for their use in searching and linking to activities of other ministries.
- The RDI Unit provided direct support to the Federal/Provincial/Territorial working group on Rural Development. Work on the directory of community programs and services resulted in the Service Alberta website being used as the model and template for programs and services. The federal project and other provinces will adopt this database architecture. Rural programs and services within Alberta's ministries are being identified and listed on this integrated website.
- RDI staff has also participated in the development of a National Rural Policy Framework (NRPF). Alberta has had a key role in framing the conceptual model and the strategic directions contained in the draft federal framework.

For more information regarding the following performance measures, please refer to the Performance Measures Summary and Performance Measures Methodology sections.

Goal 2 Performance Measures	2002 - 2003 Forecast	2005 - 2006 Target	2003 - 2004 Result
Number and diversity* of agricultural related community activities supported by Rural Services programming:	863	5% increase**	1,568
• Agriculture events	Not available	32%	29%
• Agriculture business development	Not available	9%	7%
• Agriculture education and skill development	Not available	27%	14%
• Leadership development	Not available	13%	28%
• Community improvement	Not available	19%	22%
Percentage of rural youth that report effective learning from Ministry supported 4-H programming	Not available	85%	91%

* The diversity of agricultural related community activities is represented by the bulleted list of activity types and associated percentages in the 2005-2006 Target and 2003-2004 Result columns.

** The 2005-2006 Target of a 5% increase in the number of agricultural related community activities is based on the 2002-2003 Forecast of 863.

Core Business 3: Provide Safety Nets

This core business:

- Relates to the core government businesses of **Preservation** and **Prosperity**.
- Provides risk management tools and training that are not available or not consistently available through the private sector.

Core Business Cost $ 1,268.5 million (unaudited)

Goal 1: Effective Safety Net Programming

This goal recognizes the need for less instability in a sector significantly affected by unforeseen weather and global influences. The Ministry contributes to this goal by providing safety net funding through programs such as the Canadian Agriculture Income Stabilization and Farm Income Disaster Programs, Crop Insurance, drought preparedness and disaster recovery initiatives. Increased stability coupled with targeted business management information allows farmers to concentrate their management efforts on adoption of the most economically sustainable management practices for their area.

Goal 1 Expense $1,268.5 million (unaudited)

These expenditures include farm income support payments, insurance indemnities and farm fuel distribution allowance payments.

Strategy

Stabilize farm income by providing Alberta farmers with effective and efficient safety net programs.

Results

- An evaluation of Farm Income Disaster Program (FIDP) for the 2001 claim year was completed. Key findings included the following:
  - The FIDP awareness strategy has been successful (80 per cent) and has shown a 7 per cent improvement over the outcome achieved in 1999.
  - Approximately 47 per cent of the Industry Survey respondents submitted a claim to FIDP of which 67 per cent received payment.
  - 78 per cent of the respondents who received a FIDP payment indicated that the payment was useful or extremely useful in helping them recover from their low income year in 2001 (expected target by 2005-06 is 80 per cent).
  - When insurance and FIDP customers were surveyed, results for both surveys indicated that 76 per cent expressed satisfaction with the delivery of AFSC products and services.
  - The 2002 claim year had the highest payout and number of claims in FIDP history, at $249.9 million on 8,527 claims.
  - Made a proposal to expand the mandate of *Feeder Association Guarantee Act and Regulations* 75/98. The proposed change would provide low-cost alternatives for hog producers.

- Completed inspection of all Feeder Associations to ensure compliance to the *Feeder Association Guarantee Act and Regulations 75/98.* Feeder associations continue to provide low-cost alternatives for members growing and finishing feeder animals.
- AFSC covered $2.0 billion in risk under Crop Insurance ($1.7 billion for annually seeded crops and $0.3 billion for forage.
- AFSC paid $253.1 million in crop, Spring Price Endorsement, forage (hay and pasture), waterfowl and wildlife damage, and hail insurance claims.
- Represented Alberta on the national Business Risk Management (BRM) Team that designed the policy framework for the Canadian Agricultural Income Stabilization (CAIS) Program.
- Alberta was among the first provinces to sign the APF agreement to participate in the Canadian Agricultural Income Stabilization (CAIS) Program, which replaced FIDP and the Net Income Stabilization Account (NISA). The CAIS Program is effective for the 2003 taxation year. As of March 31, 2004, more than $20 million was paid on 806 claims for the 2003 taxation year under the new CAIS Program.
- The CAIS Program was officially launched in early 2004 when the required number of provincial governments had agreed to participate in the national business risk management (BRM) program.
- As of March 31, 2004, more than 30,000 Alberta producers have indicated their intent to participate in the CAIS Program for 2003 and 2004.

Strategy

Ensure safety net programs are delivered effectively and have the flexibility to meet producer needs.

Results

- Designed and implemented seven Bovine Spongiform Encephalopathy (BSE) recovery programs. Payments under these programs have contributed to minimizing cash flow difficulties facing livestock producers as a result of the closure of international boards to live cattle and other ruminants.
- Under the Agriculture Drought Risk Management Plan for Alberta (ADRMP), implemented the following programs to mitigate the effects of 2003 drought.
  - Financial incentives were made available to producers to secure long-term water supplies for their farm operations under the 2003-04 Canada-Alberta Farm Water Program.
  - Implemented the Canada-Alberta Grasshopper Control Program in 2003 to assist producers to control grasshopper populations in severely affected areas of the province.
  - Producers in 47 counties and municipalities were deemed eligible, by Canada Revenue Agency, to defer their 2003 income tax on the sale of breeding livestock for one year under the Federal Tax Deferral Program. The delay in income tax payments will minimize the cash flow difficulties facing eligible producers in these areas.
- Continued with, and embarked on new, processes to improve Rural Services Division program administration, adherence to program policy conditions and increased accuracy of fiscal year-end reporting on programs.
  - Analysed data from ad hoc programs to accurate program payment and ensured adherence to program policy conditions.
  - Used exception reporting methods to identify and recover outstanding producer debts and reduce the changes of processing duplicate or ineligible payments.

- Implemented the 2003 Northwest Alberta Flood Disaster Recovery Program. This program provided assistance to producers in five MDs and Counties, who experienced widespread flooding and/or spring run off, where insurance is not available to cover agricultural losses.

Strategy

Implement enhancements to the Crop Insurance program to mitigate the impact of production, cost and price risk for insured producers.

Results

- Spring Price Endorsement (SPE) option, including Revenue Insurance Coverage, was introduced to cover market price and production risks.

Strategy

Respond to issues resulting from recurring drought by fully implementing the Agriculture Drought Risk Management Plan.

Results

- Completed the development of the Drought Model to determine current crop growing conditions in the province. The Drought Model has been proposed as a national drought monitoring system.
- Six scientifically based drought indicators have been developed or adapted for Alberta conditions using time periods from one month to one year.
- Enhanced and delivered the 2003 Provincial Crop Reporting Program in partnership with AFSC and agricultural fieldmen.
- An application is currently being developed (Alberta Drought Information Management System) which will provide graphical information of soil moisture and climate history data for clients on the web to assist in drought management.

Strategy

Implement the Agriculture Policy Framework Implementation Agreement, which responds to Alberta producers' needs for effective and efficient production insurance, income stabilization (including income disaster mitigation) and business interruption insurance programs.

Results

- The Canada-Alberta APF Advisory Committee was established, as per the APF governance structure and four meetings were held.

For more information regarding the following performance measures, please refer to the Performance Measures Summary and Performance Measures Methodology sections.

Goal 1 Performance Measures	2002 - 2003 Forecast	2005 - 2006 Target	2003 - 2004 Result
Percentage of primary producers surveyed experiencing a disastrous reduction in income that accessed core safety net programs	Not available	95%	67%
Percentage of recipients of core safety net program funds who agree that the safety net program money enabled them to continue their operations through a year in which they experienced a disastrous reduction in farm income	Not available	80%	74%
Percentage of customers satisfied with safety net program delivery	Not available	80%	76%
Percentage of eligible seeded acres represented by farmers insured under crop insurance programs	75%	75%	84%*

* Insured farmers operated 84% of Alberta's eligible annual seeded acres and 48% of perennial forage crops. Results reported for this measure differ from results reported in the 2003-2004 annual report for AFSC because updated numbers were available at the time of publication of this document.

Performance Measures Methodology

For more information regarding performance measures, please refer to the preceding sections, Performance Measures Summary and Goals and Measures.

Core Business 1: Facilitate Industry Growth

Goal 1: Growth of the Agriculture and Food Industry

Number of new processed food products produced at the Ministry's Leduc Food Processing Development Centre (FPDC).

The number of new processed food products includes the total number of new processed food products involving project work conducted at FPDC and successfully introduced to market by industry. Successful introduction to market is determined by records of project work completed maintained by FPDC and through follow-up client contact by FPDC staff.

Percentage of clients fully satisfied with information and service provided by the Ag-Info Centre.

Clients accessing Ag-Info Centre services are randomly surveyed via telephone to determine their satisfaction with the service they received. During the 2003-2004 year, 1,074 clients were surveyed. A percentage is calculated by dividing the number of clients rating the service experience at 7 or higher on a 10-point scale, by the total number of surveys conducted.

Value-added investment supported by AFSC lending services.

AFSC maintains records of incremental investment as part of its regular monthly reporting. Value-added investment from all sources is included, whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party. All sources of value-added investment are added up and reported as total dollar investment in Alberta business.

Amount of Beginning Farmer Loans.

Beginning farmer loans are loans to assist Alberta farmers start and develop viable operations. AFSC maintains records of each of its loans, indicating whether it is a Beginning Farmer loan. This measure is calculated from the total of all loans qualifying for Beginning Farmer loans.

Number of agriculture and food industry sub-sectors for which competitiveness benchmark criteria have been established.

The Competitiveness Unit (CU) of the Economics and Competitiveness Division has established benchmark criteria for pork, beef, poultry and oilseeds industry sub-sectors. This measure is an output measure that involves tracking the number of industry sub-sector reports the CU completes for the purpose of establishing overall competitiveness criteria. This measure is very limited in scope as it is an output measure specifically targeting one project under the Competitiveness Unit of the Economics and Competitiveness Division.

Goal 2: Continued Excellence in Food Safety

Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.

To identify and reduce food borne pathogens and residues that affect consumer confidence, public health, and market access in Alberta produced food and agricultural products, the Food Safety Division maintains a database of projects and milestones within projects. Information from this database is used to determine, through simple counting, the number of active surveillance programs within a fiscal year.

Per cent of Alberta production from Alberta chicken farms, hog farms, and beef feedlots produced under nationally recognized on-farm food safety (OFFS) programs: chicken farms, hog farms and beef feedlots.

The food safety programs belong to national and provincial producer groups and boards. These groups and boards collect data on the OFFS programs and work with AAFRD to provide the data needed when requested. This information is used to determine the amount of primary production of food animals (i.e. not breeder animals) from farms with OFFS in place. The quantity of production from farms with OFFS in place is then divided by total production in the province. Total production numbers are provided by Statistics Canada.

The measure reflects the proportion (%) of production produced, according to a national OFFS program for that commodity that has been successfully implemented and verified. The details of the national system for recognizing the completed implementation of on-farm food safety programs are being finalized. Provincial commodity groups have begun program implementation. However, completed implementation will not be recognized until the national recognition system is implemented.

Per cent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems: meat (HACCP-based) and dairy (HACCP prerequisites).

The percentage of plants that have implemented food safety process control systems is determined using data on adoption of HACCP systems that is retrieved from Regulatory Services Branch records. Data on adoption of HACCP pre-requisites will come from a Regulatory Services Branch audit of processor records. There are two areas of concentration: standard operating procedures for sanitation and product recalls.

Formalized national recognitions systems for the food safety process control systems in small, medium enterprises are currently being developed.

Core Business 2: Enhance Rural Sustainability

Goal 1: Improved Environmental Stewardship

Percentage of respondents who have adopted improved practices as a result of Ministry supported stewardship training (formal evaluation every three years).

The Environmentally Sustainable Agriculture Tracking Survey, a formal survey, which includes a telephone survey and written responses, is conducted every three years. The survey is of approximately 500 producers, drawn from a list of farmers, maintained by AAFRD, who signed up for the Farm Fuels program and who agreed to let their name stand for the purpose of being contacted for research and consultations. This survey addresses awareness, attitudes and adoption of environmentally sustainable agriculture (ESA) practices and any impact that the AESA program may have had.

A random telephone survey of 500 farmers in Alberta was conducted from February 12 to 27, 2004. The sample was distributed evenly over the 5 provincial agricultural regions, with 100 completed surveys per region. Two hundred sixty-eight of the telephone respondents completed a follow-up mail survey. The margin of error for a sample size of 500 is +/-4.4%, while the margins of error for the regional samples of 100 are +/-10.0%.

Goal 2: Strengthened Rural Communities

Number and diversity of agricultural related community activities supported by Rural Services programming: agriculture events, agriculture business development, agriculture education and skill development, leadership development and community improvement.

The Agricultural Society Program collects information by means of an annual survey. The survey questions ask individual Agricultural Societies to report on activities, volunteer hours and attendance. Information is also collected from the final reports from recipients of grants through the Agriculture Initiative Program (AIP). The AIP provides funding for one-time, capital projects and programming, which is funded to a maximum of three times. The information collected is entered into a database and coded into the following categories:

- Agriculture related activities – refer to activities such as rodeos, fairs and livestock shows
- Agriculture business development – includes any activities that promote agricultural business development and the development of the agriculture industry

- Agriculture education and skill development – includes programs or projects that foster awareness of agriculture or improve/develops skills within the community
- Leadership development – includes training for volunteer staff, fees for conferences workshops and seminars and sponsoring youth leadership development
- Community improvements – include any capital funding for infrastructure development and renovations, repairs and maintenance of infrastructure and operating costs of facilities

Percentage of rural youth that report effective learning from Ministry supported 4-H programming.

The data for this measure is obtained through written evaluations for each program. Specific areas of Knowledge, Aspirations, Skills and Attitudes have been proven to be instrumental in developing youth. There are certain questions that are consistently asked on evaluations that can be used to measure Knowledge, Aspirations, Skills and Attitudes. Survey results are compiled and the percentage of rural youth reporting effective learning from Ministry supported 4-H programming is determined from the compiled data. Each question on the survey has four or six possible answers. Answers in categories 4 to 6 of the 6-point scale and 3 to 4 of the 4-point scale are considered a positive change.

Core Business 3: Provide Safety Nets

Goal 1: Effective Safety Net Programming

Percentage of primary producers surveyed experiencing a disastrous reduction in income that accessed core safety net programs.

This measure examines awareness and usage of the Farm Income Disaster Program in 2001 to mitigate farm income reduction by producers who experienced extreme reduction in their farm income. Information is collected, via telephone survey, from farmers in the Farm Fuel survey database.

Independent samples from non-overlapping regions were completed. Results are calculated by dividing the number of producers experiencing disastrous reductions in income by the total number of producers that applied for Farm Income Disaster Program payments. The results of the survey have a confidence interval of +/- 5%.

Percentage of recipients of core safety net program funds who agree that the safety net program money enabled them to continue their operations through a year in which they experienced a disastrous reduction in farm income.

This measure is used to determine the effectiveness of core safety program payments in covering the needs of program participants who suffered a severe reduction in farm income in 2001. A telephone survey is conducted, and the results are analysed using a relative frequency analysis. The number of producers who rated their Farm Income Disaster Program (FIDP) payments as useful or extremely useful in helping them recover from their low-income year is divided by the total number of survey respondents who received FIDP payment.

Percentage of customers satisfied with safety net program delivery.

Agriculture Financial Services Corporation (AFSC) conducts an annual customer satisfaction survey of customers enrolled in the crop insurance and FIDP programs. Probability sampling is used to enable generalization of survey results to the target population, with a known degree of confidence. The number of producers surveyed that indicated they were satisfied or very satisfied with the delivery of the safety net program is then divided by the total number of survey respondents to obtain the percentage figure. The results of this survey have a confidence interval of +/- 5%.

Percentage of eligible seeded acres represented by farmers insured under crop insurance programs.

This measure is used to examine the use of crop insurance to mitigate the business risk of growing crops. The measure is calculated using crop insurance program enrolment data from AFSC and the Seeded Area of Field Crops in Alberta (Census of Agriculture, Statistics Canada). This data is used to determine two pieces of information required to calculate the measure, the sum the total eligible seeded acres insured under crop insurance during the year under review and the total eligible seeded acres in Alberta, whether it is insured or not.

The percentage of eligible seeded acres represented by farmers insured under crop insurance programs is calculated by dividing the total eligible seeded acres insured under crop insurance by the total number of total eligible seeded acres in Alberta.

Financial Information

Financial Statements

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2004 and the consolidated statements of operations and cash flow for the year then ended. These consolidated financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 21, 2004

Consolidated Statement of Operations for the Year Ended March 31, 2004
(in thousands)

	2004 Budget	2004 Actual	2003 Actual (Restated)
Revenues			
Transfers from Government of Canada	$ 169,112	$ 560,814	$ 415,917
Reinsurance recoveries	–	9,000	113,406
Premiums from insured persons	164,487	145,960	102,140
Interest and investment income	89,315	86,394	100,616
Fees, permits, licenses and other income	9,401	8,800	12,643
Internal government transfers	16,620	16,620	16,620
Revenue from discontinued operations			
Restricted revenue	–	–	143,495
Other revenue	–	–	5,685
Ministry revenue	**448,935**	**827,588**	910,522

continued

continued

Consolidated Statement of Operations for the Year Ended March 31, 2004
(in thousands)

	2004 Budget	2004 Actual	2003 Actual (Restated)
Expenses (Schedule 1)			
Program –			
Insurance	487,542	343,096	876,950
Farm income support	98,833	399,793	534,939
BSE recovery program	–	488,554	–
Industry development	41,348	85,762	42,989
Sustainable agriculture	31,553	36,037	32,882
Planning and competitiveness	39,036	40,709	38,779
Farm fuel distribution allowance	33,500	30,972	30,012
Lending	33,128	33,320	28,661
Infrastructure assistance	25,800	16,732	26,988
Ministry support services	17,642	18,467	17,773
Program expense	**808,382**	**1,493,442**	1,629,973
Other –			
Debt servicing costs	55,852	47,212	47,196
Valuation adjustments	5,626	6,605	3,185
Expenses from discontinued operations			
Restricted expenses	–	–	143,495
Other expenses	–	–	6,254
	61,478	**53,817**	200,130
Ministry expenses	**869,860**	**1,547,259**	1,830,103
Loss on disposal of tangible capital assets	–	(12)	(26)
	–	(12)	(26)
Net operating results	**$ (420,925)**	**$ (719,683)**	$ (919,607)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position as at March 31, 2004

(in thousands)

	2004	2003 (Restated)
Assets		
Cash	$ 62,225	$ 117,705
Accounts receivable	11,384	19,587
Due from Government of Canada	267,429	129,750
Loans receivable *(Schedule 2)*	988,186	966,143
Investments *(Schedule 3)*	100,297	104,815
Tangible capital assets *(Schedule 4)*	54,454	48,960
	$1,483,975	$1,386,960
Liabilities		
Accounts payable and accrued liabilities	$ 211,245	$ 115,191
Indemnities payable	263,024	164,247
Allowance for loan guarantees	2,663	1,492
Unearned revenue	4,690	2,143
Deferred contributions *(Note 4)*	6,094	19,399
Advance from the Province of Alberta	–	110,000
Due to crop reinsurance fund of Canada for Alberta	4,740	–
Notes and interest payable to the Province of Alberta *(Schedule 5)*	924,652	903,213
	1,417,108	1,315,685
Net Assets		
Net assets at beginning of year	71,275	374,599
Net operating results	(719,683)	(919,607)
Net transfer from general revenues	715,275	616,283
Net assets at end of year	**66,867**	71,275
	$1,483,975	$1,386,960

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Cash Flow for the Year Ended March 31, 2004

(in thousands)

	2004	2003 (Restated)
Operating Transactions		
Net operating results	$ (719,683)	$(919,607)
Non-cash items	7,497	(2,810)
Net change in operating assets and liabilities	(52,397)	132,465
Cash applied to operating transactions	**(764,583)**	(789,952)
Capital Transactions		
Acquisition of tangible capital assets	(12,035)	(7,444)
Disposal of tangible capital assests	71	157
Cash applied to capital transactions	**(11,964)**	(7,287)
Investing Transactions		
Proceeds from repayments of loans receivable and sale of properties	159,862	153,438
Loan disbursements	(184,923)	(163,658)
Purchase of investments	(218,446)	(531,521)
Proceeds on disposal of investments	224,412	804,847
Transfer to Alberta Milk	–	(6,742)
Cash applied to (provided by) investing transactions	**(19,095)**	256,364
Financing Transactions		
Borrowing from the Province of Alberta	1,103,226	875,288
Repayment of borrowing from the Province of Alberta	(1,081,805)	(873,008)
Government of Canada funding for capital assets	2,094	413
Province of Alberta funding for capital assets	1,372	553
Net transfer from general revenues	715,275	616,283
Cash provided by financing transactions	**740,162**	619,529
(Decrease) increase in cash	(55,480)	78,654
Cash, beginning of year	117,705	39,051
Cash, end of year	**$ 62,225**	**$ 117,705**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2004

Note 1 Authority and Purpose

The Minister of Agriculture, Food and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

(a) Reporting Entity

The Minister of Agriculture, Food and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture, Food and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture, Food and Rural Development (the Department)	Government Organization Act
Agriculture Financial Services Corporation, *including the Crop Reinsurance Fund of Alberta* (the Corporation)	Agriculture Financial Services Act

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Note 2 continued

Expenses

Directly Incurred – Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the Government's budget documents.

Directly incurred expenses include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.
- provision for doubtful accounts and guarantees. The provision includes amounts established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets – Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable; investments; and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Liabilities – Liabilities represent financial claims payable by the Ministry at fiscal year end.

Net Assets – Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty *(in thousands)* – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Indemnities payable recorded as $263,024 and amounts due from the Government of Canada recorded as $267,429 in these financial statements and corresponding expenses and revenues are subject to measurement uncertainty. The Ministry has recorded a liability to provide for indemnities under the Canadian Agricultural Income Stabilization Program (CAIS) of $241,504. The Ministry has also recorded a corresponding receivable from the Government of Canada of $145,527 for the Government of Canada's funding of the program. The estimated indemnities payable and corresponding receivable for CAIS could change substantially in the future, if factors considered by management in establishing the estimates were

Note 2 continued

to change significantly. Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of participants elected their coverage levels and information necessary to process a claim is received. It is also difficult to predict the estimated indemnities because of the wide variation that business risks may have on individual program margins and because the 2003 taxation year is the first year of this program.

Loans receivable, recorded as $988,186 in these financial statements, are subject to measurement uncertainty. The amount established for specific and general allowances to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Amounts due from the Government of Canada, recorded as $267,429 in these financial statements, include amounts due under the Canadian Farm Income Program (CFIP) of $40,552 and corresponding revenues that are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under the Farm Income Disaster Program and/or the Farm Income Assistance Program. Amounts included in the financial statements have been estimated based on a formula agreed to by the Government of Canada and could change based on the finalization of claims under the program.

Note 3 Program Transfer

(in thousands)

Effective April 1, 2003, responsibility for the Rural Utilities Program was transferred from the Department of Energy. Comparatives for 2003 have been restated as if the Ministry had always been assigned its current responsibilities.

Net Liabilities, as previously reported at March 31, 2002	$ 376,007
Transfer from the Department of Energy	(1,408)
Net Liabilities, as restated at April 1, 2002	$ 374,599

Net Operating Results, as previously reported at March 31, 2003	$(913,874)
Add: Revenues Transferred from the Department of Energy	709
Less: Expenses Transferred from the Department of Energy	(6,442)
Net Operating Results, as restated at April 1, 2003	$(919,607)

Note 4 Deferred Contributions

(in thousands)

Deferred contributions consist of Premiums from Insured Persons of $6,094 (2003 – $19,399).

Note 5 Credit And Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Note 5 continued

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2004. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

	Term to Maturity [1]				Not [2] Interest Rate Sensitive	2004 Total	2003 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	(in thousands)						
Farm loans	$ 72,624	$246,421	$262,291	$250,934	$ (4,875)	$827,395	$809,903
Yield[3]	6.97%	7.08%	7.08%	6.93%	–	7.05%	7.22%
Commercial loans	59,994	98,782	1,302	–	709	160,787	156,218
Yield[3]	8.08%	8.48%	7.29%	–	–	8.28%	8.68%
Rural utilities	4	–	–	–	–	4	22
Total	$132,622	$345,203	$263,593	$250,934	$ (4,166)	$988,186	$966,143
Yield[3]	7.12%	7.15%	7.08%	6.93%	–	7.11%	7.30%
Notes payable Province of Alberta	181,824	412,825	221,498	98,917	9,588	924,652	903,213
Yield[3]	5.16%	5.68%	5.84%	5.53%	–	5.58%	5.69%
Net gap before pre-payment adjustment	(49,202)	(67,622)	42,095	152,017	(13,754)	63,534	62,930
Estimated prepayment	49,930	71,023	(24,493)	(96,460)	–	–	–
Net gap	$ 728	$ 3,401	$ 17,602	$ 55,557	$(13,754)	$ 63,534	$ 62,930

[1] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual or annual installments of principal.

[2] Includes general provisions, accrued interest and unamortized loan discount.

[3] For notes payable, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

This gap analysis does not include the investment portfolio because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 6 Contingencies

(in thousands)

At March 31, 2004, Ministry entities are defendants in seven legal claims (2003 – ten legal claims). These claims have specified amounts totalling $2,069 (2003 – $5,809). Included in the total legal claims are three claims amounting to $1,788 (2003 – four claims amounting to $2,807) in which the Ministry has been jointly named with other entities. Two claims amounting to $1,488 (2003 – four claims amounting to $2,707) are covered by the Alberta Risk Management Fund.

Note 7 Commitments

At March 31, commitments are comprised of the following:

	2004	2003 (Restated)
	(in thousands)	
Estimated farm loan incentives	$16,205	$17,774
Approved, undisbursed loans	40,606	34,390
Reinsurance	–	31,801
Building costs	2,521	–
Operating leases	1,776	3,230
Service contracts	3,916	1,788
Grants	7,465	859
Capital purchases	–	105
	$72,489	$89,947

The operating lease commitments are for accommodations with terms up to five years.

Note 8 Guarantees

	2004	2003	Expiry Date
	(in thousands)		
Feeder associations	$51,611	$43,803	Ongoing
Agriculture financial services corporation guarantees	38,829	46,263	Variable
Agricultural Societies Act	25	25	2015
	90,465	90,091	
Allowance for loan guarantees	(2,663)	(1,492)	
	$87,802	$88,599	

Prior to issuing a loan, appropriate security is taken. The security taken depends on the nature of the loan. The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 9 Trust Funds Under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's consolidated financial statements. As at March 31, trust funds under administration were as follows:

	2004	2003
	(in thousands)	
Wheat Board Monies Trust Fund	$ 99	$ 98
4-H General Trust	85	73
4-H Scholarship Trust Fund	59	61
Claude Gallinger Memorial Trust Fund	44	34
	$287	$266

Note 10 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $6,194 for the year ended March 31, 2004 (2003 – $4,755).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of $290,014 (2002 – $301,968) and the Public Service Pension Plan reported an actuarial deficiency of $596,213 (2002 – $175,528). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,312 (2002 – $6,472).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2004, the Bargaining Unit Plan reported an actuarial deficiency of $9,766 (2003 – $14,434) and the Management, Opted Out, and Excluded Plan an actuarial surplus of $1,298 (2003 – actuarial deficiency of $3,053). The expense for these two plans is limited to employer's annual contributions for the year.

Note 11 Subsequent Event

(in thousands)

The Canadian Agricultural Income Stabilization Program is administered in accordance with the Federal/ Provincial Agricultural Policy Framework Implementation Agreement. Amendments to the Agreement are implemented from time to time in support of program evolution and delivery. A third amendment was implemented on May 21, 2004 to enhance the program for the 2003 taxation year to provide coverage for negative margins, increase payment caps for claims and modify the deposit requirements. As of March 31, 2004, Alberta had committed to the anticipated amendment, however the financial impact of the amendment will be reflected in the next fiscal year, the period in which the amendment to the agreement came into force. The estimated cost of this amendment is $120,000, to be shared as to 60% by the Government of Canada and 40% by the Province of Alberta. The $120,000 cost and the corresponding $72,000 contribution from the Government of Canada are subject to measurement uncertainty (See Note 2).

Note 12 Comparative Figures

Certain 2003 figures have been reclassified to conform to the 2004 presentation.

Note 13 Budget

The 2003-2004 Government and Lottery Fund Estimates were approved on May 16, 2003.

Note 14 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2004

Schedule 1

(in thousands)

	2004 Budget	2004 Actual	2003 Actual (Restated)
Grants	$ 90,175	$ 627,327	$ 439,590
Indemnities	542,665	686,729	1,023,483
Salaries, wages, employment contracts and benefits	106,755	110,216	104,149
Interest	62,543	52,940	53,598
Supplies and services	54,984	56,431	55,827
Amortization of tangible capital assets	6,664	6,506	6,081
Other expenses	448	505	695
Valuation adjustments	5,626	6,605	3,185
Subtotal	869,860	1,547,259	1,686,608
Restricted expenses	–	–	143,495
Total	$869,860	$1,547,259	$1,830,103

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Loans Receivable for the Year Ended March 31, 2004

Schedule 2

(in thousands)

	2004	2003 (Restated)
Loans receivable	$1,010,227	$ 987,575
Accrued interest	26,547	24,680
	1,036,774	1,012,255
Less allowance for doubtful accounts	(43,130)	(39,786)
Less accrued incentives	(2,580)	(2,672)
Less loan discounts	(2,878)	(3,654)
	$ 988,186	$ 966,143

The allowance for doubtful accounts of $43,130 (2003 – $39,786) includes a specific allowance for $13,062 (2003 – $6,958) on impaired loans outstanding of $30,370 (2003 – $20,846), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2004 is $973,376 (2003 – $951,297). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Investments for the Year Ended March 31, 2004

Schedule 3
(in thousands)

	2004	2003
Bonds and debentures –		
Government of Canada, direct and guaranteed	$ 46,044	$ 19,853
Other provincial, direct and guaranteed	20,405	45,058
	66,449	64,911
Corporate securities	32,759	38,305
	99,208	103,216
Accrued interest	1,089	1,599
	$100,297	$104,815

	Term to Maturity [1]					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	2004 Total	2003 Total
Bonds and debentures	$ –	$36,198	$19,912	$10,339	$66,449	$ 64,911
Yield [2]	–	4.18%	4.78%	5.85%	4.62%	5.19%
Securities	–	32,759	–	–	32,759	38,305
Yield [2]	–	5.21%	–	–	5.21%	5.27%
	–	68,957	19,912	10,339	99,208	103,216
Accrued interest	–	754	181	154	1,089	1,599
	$ –	$69,711	$20,093	$10,493	$100,297	$104,815

The fair value of investments at March 31, 2004 is $104,806 (2003 – $106,801). Fair value is based on quoted market prices including accrued interest.

(1) Term to maturity classifications are based on contractual maturity date of the security.

(2) Yield represents the rate which discounts future cash receipts to the carrying amount.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Tangible Capital Assets for the Year Ended March 31, 2004

Schedule 4

(in thousands)

	Estimated Useful Life	Cost	2004 Accumulated Amortization	Net Book Value	2003 Net Book Value
Land	Indefinite	$ 403	$ –	$ 403	$ 403
Buildings	40 years	8,038	1,376	6,662	3,315
Equipment*	5-10 years	29,603	14,192	15,411	12,232
Computer hardware and software	3-5 years	29,206	14,489	14,717	14,276
Rail hopper cars	35 years	50,745	33,484	17,261	18,734
		$117,995	$63,541	$54,454	$48,960

* Equipment includes heavy equipment, vehicles, furniture and assets under construction.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2004

Schedule 5

(in thousands)

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2004	Effective Interest Rate	2003
Within 1 year	2.14% - 6.15%	$123,845	2.91% - 5.41%	$ 93,195
1 to 5 years	3.64% - 5.54%	177,605	3.10% - 6.15%	228,696
6 to 10 years	5.43% - 7.64%	294,799	5.56% - 7.64%	275,556
Over 10 years	5.04% - 6.52%	315,431	5.43% - 6.52%	292,115
Accrued Interest		12,972		13,651
		$924,652		$903,213

Net unamortized discounts of $3,346 (2003 – $3,228) are included in the balances disclosed.

The approximate fair value at March 31, 2004 is $985,299 (2003 – $923,957). Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the notes are sold, there will be a limited pool of these securities trading in the market; and that the notes would be new to the market and are not direct issues of the Province; a premium for periodic interest reset feature where applicable, and a factor to reflect the blended payment structure of the notes.

Scheduled principal repayments in each of the next five years are as follows:

Year ending March 31,	2005	$181,824
	2006	134,804
	2007	130,704
	2008	87,629
	2009	59,688
		$594,649

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2004

Schedule 6

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2004	2003
Revenues –		
Grants	$16,620	$16,620
Fees and charges	6	36
Other	591	702
Interest	–	–
	$17,217	$17,358
Expenses (directly incurred) –		
Grants	$ 207	$ 63
Accommodation	–	–
Other services	8,498	9,729
Interest	47,212	47,196
	$55,917	$56,988
Tangible capital assets transferred	$ –	$ –

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 7.

	2004	2003
Expenses incurred by others –		
Accommodation	$11,682	$11,653
Other services	378	327
	$12,060	$11,980

Note: The Ministry receives services under contracts managed by the Ministry of Government Services (ACSC). Any commitments under these contracts are reported by the Ministry of Government Services (ACSC).

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2004

Schedule 7

(in thousands)

	2004							2003
		Expenses – Incurred by Others		Valuation Adjustments [4]				
Program	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay	Doubtful Accounts	Guarantees	Total Expenses	Total Expenses (Restated)
Insurance	$ 343,096	$ –	$ –	$ –	$ 105	$ –	$ 343,201	$ 876,914
Farm income support	399,793	–	–	–	–	–	399,793	534,912
BSE recovery program	488,554	–	–	–	–	–	488,554	–
Restricted expenses and quota exchange payments	–	–	–	–	–	–	–	143,495
Industry development	85,762	4,367	53	(78)	(17)	–	90,087	53,165
Sustainable agriculture	36,037	3,842	125	139	–	–	40,143	37,045
Planning and competitiveness	40,709	2,020	113	84	(37)	1,400	44,289	40,855
Farm fuel distribution allowance	30,972	–	–	–	–	–	30,972	30,012
Lending	33,320	–	–	–	5,194	(229)	38,285	32,138
Infrastructure assistance	16,732	–	–	–	–	–	16,732	26,988
Ministry support services	18,467	1,453	87	44	–	–	20,051	19,363
	$1,493,442	$11,682	$378	$189	$5,245	$1,171	$1,512,107	$1,794,887

[1] Expenses – Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments.

[2] Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by square footage.

[3] Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

[4] Valuation Adjustments as per Statement of Operations, Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

- Vacation Pay – allocated to the program by employee,
- Doubtful Accounts Provision – estimated allocation to program.
- Guarantees – estimated allocation to program.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Department of Agriculture, Food and Rural Development as at March 31, 2004 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 21, 2004

Statement of Operations for the Year Ended March 31, 2004
(in thousands)

	2004 Budget (Schedule 4)	2004 Actual	2003 Actual (Restated)
Revenues (Schedule 1)			
Transfers from the Government of Canada	$ 8,000	$ 220,072	$ 89,474
Internal government transfers	16,620	16,620	16,620
Other revenue	3,572	4,593	7,571
Fees, permits and licenses	1,400	1,172	1,467
	29,592	**242,457**	115,132
Expenses – Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 3 and 5)			
Industry development	41,348	85,762	42,988
Planning and competitiveness	39,036	40,709	38,779
Sustainable agriculture	31,553	36,037	32,882
Infrastructure assistance	25,800	16,732	26,988
Ministry support services	17,642	18,467	17,773
Agriculture assistance –			
BSE Recovery	–	488,554	–
Insurance and lending	143,840	127,449	96,275
Canadian agricultural income stabilization	–	106,471	–
Farm income assistance	94,034	54,646	432,353
Farm fuel distribution allowance	33,500	30,972	30,012
Other assistance	5,000	21,626	25,660
	431,753	**1,027,425**	743,710

continued

continued

Statement of Operations for the Year Ended March 31, 2004
(in thousands)

	2004 Budget (Schedule 4)	2004 Actual	2003 Actual (Restated)
Statutory (Schedules 3 and 5)			
Valuation adjustments –			
Provision for loan guarantees	–	1,400	–
Provision (decrease) for vacation pay	–	189	(349)
(Decrease) provision for doubtful accounts	–	(54)	30
	–	**1,535**	(319)
Total expenses	**431,753**	**1,028,960**	743,391
(Gain) loss on disposal of tangible capital assets	–	(2)	23
Net operating results	**$(402,161)**	**$(786,501)**	$(628,282)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2004
(in thousands)

	2004	2003 (Restated)
Assets		
Cash	$ 450	$ 659
Accounts receivable *(Note 4)*	62,293	36,603
Loans and advances *(Note 5)*	14	44
Tangible capital assets *(Note 6)*	31,280	30,450
	$ 94,037	**$ 67,756**
Liabilities		
Accounts payable and accrued liabilities *(Note 7)*	$ 233,937	$ 138,977
Unearned revenue	4,690	2,143
	238,627	141,120
Net Liabilities		
Net liabilities at beginning of year	(73,364)	(61,365)
Net operating results	(786,501)	(628,282)
Net transfer from general revenues	715,275	616,283
Net liabilities at end of year	(144,590)	(73,364)
	$ 94,037	**$ 67,756**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flow for the Year Ended March 31, 2004

(in thousands)

	2004	2003 (Restated)
Operating Transactions		
Net operating results	$(786,501)	$(628,282)
Non-cash items included in net operating results –		
Amortization	2,686	2,595
Valuation adjustments	1,535	(319)
(Gain) loss on disposal of tangible capital assets	(2)	23
	(782,282)	(625,983)
Increase in accounts receivable	(25,684)	(29,388)
Decrease in loans and advances	30	106
Increase in accounts payable and accrued liabilities	93,370	36,399
Increase in unearned revenue	2,547	232
Cash applied to operating transactions	**(712,019)**	(618,634)
Capital Transactions		
Acquisition of tangible capital assets	(3,486)	(2,842)
Disposal of tangible capital assets	21	51
Cash applied to capital transactions	**(3,465)**	(2,791)
Financing Transactions		
Net transfer from general revenues	**715,275**	616,283
Decrease in cash	(209)	(5,142)
Cash, beginning of year	659	5,801
Cash, end of year	**$ 450**	$ 659

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2004

Note 1 Authority and Purpose

The Department of Agriculture, Food and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Agriculture, Food and Rural Development, which is part of the Ministry of Agriculture, Food and Rural Development and for which the Minister of Agriculture, Food and Rural Development is accountable. The other entity reporting to the Minister is Agriculture Financial Services Corporation.

The activities of this organization are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred – Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payment arising from obligations relating to vacation pay, guarantees, and indemnities.

Note 2 continued

Incurred by Others – Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $15,000. All land is capitalized.

Liabilities – Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Liabilities – Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Measurement Uncertainty *(in thousands)* – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Accounts payable and accrued liabilities, recorded as $233,937 in these financial statements, include an estimated amount owing to Agriculture Financial Services Corporation (AFSC) of $56,472 and corresponding expenses for the Canadian Agricultural Income Stabilization Program (CAIS) that are subject to measurement uncertainty. The estimated indemnities payable and corresponding contributions for the CAIS program could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly. Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of participants elected their coverage levels and information necessary to process a claim is received. It is also difficult to predict the estimated indemnities because of the wide variation that business risks may have on individual program margins and because the 2003 taxation year is the first year of this program.

Accounts receivable, recorded as $62,293 in these financial statements, includes amounts due from the Government of Canada under the Canadian Farm Income Program (CFIP) of $40,552 and corresponding revenues that are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under the Farm Income Disaster Program and/or the Farm Income Assistance Program. Amounts included in the financial statements have been estimated based on a formula agreed to by the Government of Canada and could change based on the finalization of claims under the program.

Valuation of Financial Assets and Liabilities – Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities are estimated to approximate carrying values because of the short term nature of these instruments.

Note 3 Program Transfer

(in thousands)

Effective April 1, 2003, responsibility for the Rural Utilities Program was transferred from the Department of Energy. Comparatives for 2003 have been restated as if the Department had always been assigned its current responsibilities.

Net Liabilities, as previously reported at March 31, 2002	$ (59,957)
Transfer from the Department of Energy	(1,408)
Net Liabilities, as restated at April 1, 2002	$ (61,365)
Net Operating Results, as previously reported at March 31, 2003	$(622,549)
Add: Revenues Transferred from the Department of Energy	709
Less: Expenses Transferred from the Department of Energy	(6,442)
Net Operating Results, as restated at April 1, 2003	$(628,282)

Note 4 Accounts Receivable

	2004			2003
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
	(in thousands)			
Accounts receivable	$60,654	$35	$60,619	$34,828
Refunds from suppliers	1,674	–	1,674	1,775
	$62,328	$35	$62,293	$36,603

Accounts receivable are unsecured and non-interest bearing.

Note 5 Loans and Advances

	2004			2003
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated)
	(in thousands)			
Advances	$10	$–	$10	$22
Loans	5	1	4	22
	$15	$1	$14	$44

Note 6 Tangible Capital Assets

		2004			2003
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
			(in thousands)		
Land	Indefinite	$ 123	$ –	$ 123	$ 123
Buildings	40 years	1,739	88	1,651	1,512
Equipment and vehicles	10 years	23,286	11,370	11,916	9,689
Computer hardware and software	3-5 years	1,483	1,154	329	392
Rail hopper cars	35 years	50,745	33,484	17,261	18,734
		$77,376	$46,096	$31,280	$30,450

Note 7 Accounts Payable and Accrued Liabilities

	2004	2003 (Restated)
	(in thousands)	
Accounts payable – general	$ 5,943	$ 15,832
Manpower	11,563	10,500
Grants	211,036	110,921
Allowance for loan guarantees	1,400	–
Supplies and services and capital purchases	3,995	1,724
	$233,937	$138,977

Note 8 Commitments

As at March 31, 2004, the Department has the following commitments:

	2004	2003 (Restated)
	(in thousands)	
Grants	$ 7,465	$ 859
Service contracts	3,916	1,788
Capital purchases	–	105
	$11,381	$2,752

Note 9 Contingencies

(in thousands)

At March 31, 2004, the Department is a defendant in four legal claims (2003 – six legal claims). These claims have specified amounts totalling $1,990 (2003 – $3,209). Included in the total legal claims are three claims amounting to $1,788 (2003 – four claims amounting to $2,807) in which the Department has been jointly named with other entities. Two claims amounting to $1,488 (2003 – four claims amounting to $2,707) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 10 Guarantees

	2004	2003	Expiry Date
	(in thousands)		
Feeder Associations	$51,611	$43,803	Ongoing
Agricultural Societies Act	25	25	2015
	51,636	43,828	
Allowance for Loan Guarantees	(1,400)	–	
	$50,236	$43,828	

Note 10 continued

Guarantee programs and their limits are established under the following Acts:

- Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is $55 million)
- Agricultural Societies Act (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 11 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, trust funds under administration were as follows:

	2004	2003
	(in thousands)	
Wheat Board Monies Trust Fund	$ 99	$ 98
4-H General Trust	85	73
4-H Scholarship Trust Fund	59	61
Claude Gallinger Memorial Trust Fund	44	34
	$287	$266

Note 12 Payments Under Agreement

(in thousands)

During the year, the Department entered into an agreement to deliver programs and services that are funded by the Government of Canada. Administration costs for the Alberta Mature Animal Transition Program and the Federal Cull Animal Program are 60% funded by the Government of Canada, and grants paid under the Federal Cull Animal Program are 100% funded by the Government of Canada. Costs incurred under this agreement are made by the Department under authority of the *Financial Administration Act*, Section 25. Accounts receivable includes $637 and accounts payable includes $79 relating to payments under agreement.

Amounts paid and payable under agreement with program sponsors are as follows:

	2004
	(in thousands)
Government of Canada:	
Alberta Mature Animal Transition Program	$637

As at March 31, 2004 the Federal Cull Animal Program has not commenced.

Note 13 Defined Benefit Plans

(in thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,403 for the year ended March 31, 2004 (2003 – $3,363).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of $290,014 (2002 – $301,968) and the Public Service Pension Plan reported an actuarial deficiency of $596,213 (2002 – $175,528). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,312 (2002 – $6,472).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2004, the Bargaining Unit Plan reported an actuarial deficiency of $9,766 (2003 – $14,434) and the Management, Opted Out and Excluded Plan an actuarial surplus of $1,298 (2003 – actuarial deficiency of $3,053). The expense for these two plans is limited to employer's annual contributions for the year.

Note 14 Subsequent Event

(in thousands)

The Canadian Agricultural Income Stabilization Program (CAIS) is administered by Agriculture Financial Services Corporation in accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement. Amendments to the Agreement are implemented from time to time in support of program evolution and delivery. A third amendment was implemented on May 21, 2004 to enhance the program for the 2003 taxation year to provide coverage for negative margins, increase payment caps for claims and modify the deposit requirements. As of March 31, 2004, Alberta had committed to the anticipated amendment, however the financial impact of the amendment will be reflected in the next fiscal year, the period in which the amendment to the agreement came into force. Since the provincial contribution for the CAIS program is funded by the Department, the estimated cost of this amendment to the Department is $48,000. This cost is subject to measurement uncertainty (See Note 2).

Note 15 Comparative Figures

Certain 2003 figures have been reclassified to conform to the 2004 presentation.

Note 16 Approval Of The Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department of Agriculture, Food and Rural Development – Schedule of Revenues for the Year Ended March 31, 2004

Schedule 1
(in thousands)

	2004 Budget	2004 Actual	2003 Actual (Restated)
Transfers from the Government of Canada			
Canadian farm income program	$ –	$ 51,000	$ 88,518
Canada/Alberta BSE recovery program	–	150,585	–
Other	8,000	18,487	956
	8,000	220,072	89,474
Internal government transfers			
Transfers from the lottery fund	16,620	16,620	16,620
Other revenue			
Project contributions	1,017	2,238	1,898
Rail hopper car revenue	650	951	649
Green certificate and home study	780	257	334
Publications	225	235	284
Previous years' refunds of expenditures	–	311	3,411
Surplus sales	–	77	56
Miscellaneous	900	524	939
	3,572	4,593	7,571
Fees, permits and licenses			
Livestock water program	140	130	286
Food processing centre fees	600	538	634
Meat services	201	199	227
Aquaculture, sheep and diversified livestock	–	156	138
Dairy laboratory and analytical services	45	7	35
Other	414	142	147
	1,400	1,172	1,467
	$29,592	$242,457	$115,132

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Dedicated Revenue Initiatives for the Year Ended March 31, 2004

Schedule 2

(in thousands)

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry support services	$ 225	$ 236	$ 11
Planning and competitiveness	780	373	(407)
Industry development	3,085	2,717	(368)
Sustainable agriculture	1,058	1,011	(47)
	$5,148	$4,337	$(811) [1]

Ministry Support Services dedicated revenue initiatives include fees for sale of publications.

Planning and Competitiveness dedicated revenue initiatives include fees for educational services.

Industry Development dedicated revenue initiatives include: Food Processing Centre Fees ($677), various Plant Industry Programs ($1,736), Business Innovation ($80), and various Livestock Industry Programs ($224).

Sustainable Agriculture dedicated revenue initiatives include: Food Safety Initiatives ($449), Resource Management and Irrigation ($218) and various Technical Services Programs ($344).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

[1] Shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 of the financial statements.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2004

Schedule 3

(In thousands)

	2004 Budget	2004 Actual	2003 Actual (Restated)
Voted			
Salaries, wages and employee benefits	$ 69,341	$ 73,689	$ 69,588
Supplies and services	31,052	35,127	31,700
Grants	328,049	915,816	639,724
Financial transactions and other	97	107	103
Amortization of tangible capital assets	3,214	2,686	2,595
Total voted expenses	$431,753	$1,027,425	$743,710
Statutory			
Valuation adjustments			
Provision for loan guarantees	$ –	$ 1,400	$ –
Provision (decrease) for vaction pay	–	189	(349)
(Decrease) provision for doubtful accounts	–	(54)	30
	$ –	$ 1,535	$ (319)

Department – continued
Department of Agriculture, Food and Rural Development – Schedule of Authorized Budget for the Year Ended March 31, 2004

Schedule 4
(in thousands)

	2003-2004 Estimates	Adjustment (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget
Revenues –					
Transfers from the Government of Canada	$ 8,000	$ –	$ 8,000	$ –	$ 8,000
Internal government transfers	16,620	–	16,620	–	16,620
Other revenue	3,572	–	3,572	826	4,398
Fees, permits and licenses	1,400	–	1,400	–	1,400
	29,592	–	29,592	826	30,418
Expenses (directly incurred) –					
Voted expenses					
Planning and competitiveness	$ 77,536	$ –	$ 77,536	$ 581,285	$ 658,821
Agriculture insurance and lending assistance	237,874	–	237,874	136,023	373,897
Sustainable agriculture	52,353	–	52,353	5,713	58,066
Industry development	46,348	–	46,348	5,000	51,348
Ministry support services	17,642	–	17,642	–	17,642
Dedicated revenue shortfall (Schedule 2)	–	(811)	(811)	–	(811)
	431,753	(811)	430,942	728,021	1,158,963
Net operating results	$(402,161)	$(811)	$(401,350)	$(727,195)	$(1,128,545)
Capital investment	$ 1,266	$ –	$ 1,266	$ 800	$ 2,066

(a) Adjustments include dedicated revenue shortfalls.

(b) Supplementary expenses were approved on December 4, 2003.
Supplementary recoveries were approved on February 2, 2004. Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2004

Schedule 5

(in thousands)

		2003-2004 Estimates	Adjustments (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget	2003-2004 Actual Expenses (c)	Unexpended (Over Expended)
Voted Expenses and Capital Investments								
1.0	Ministry Support Services							
1.0.1	Minister's Office	$ 436	$ –	$ 436	$ –	$ 436	$ 384	$ 52
1.0.2	Standing Policy Committee on Agriculture and Municipal Affairs	104	–	104	–	104	96	8
1.0.3	Deputy Minister's Office	394	–	394	–	394	437	(43)
1.0.4	Farmers' Advocate	644	–	644	–	644	758	(114)
1.0.5	Finance	6,247	–	6,247	–	6,247	5,501	746
1.0.6	Internal Audit	196	–	196	–	196	211	(15)
1.0.7	Information Technology							
	– Operating Expense	2,675	–	2,675	–	2,675	3,958	(1,283)
	– Capital Investment	70	–	70	–	70	–	70
1.0.8	Agriculture Information Division	2,905	–	2,905	–	2,905	3,010	(105)
1.0.9	Industry Information Network	967	–	967	–	967	963	4
1.0.10	Knowledge Management	515	–	515	–	515	519	(4)
1.0.11	Communications	263	–	263	–	263	287	(24)
1.0.12	Human Resources	2,002	–	2,002	–	2,002	2,296	(294)
1.0.13	Amortization of Capital Assets	294	–	294	–	294	47	247
	Total Program	17,712	–	17,712	–	17,712	18,467	(755)
2.0	Planning and Competitiveness							
2.1	Program Support							
2.1.1	Assistant Deputy Minister	273	–	273	–	273	289	(16)
2.1.2	Policy Secretariat	2,689	–	2,689	–	2,689	3,192	(503)
2.1.3	Rural Development Initiative	510	–	510	–	510	504	6
2.1.4	Alberta Grain Commission	460	–	460	–	460	398	62
2.1.5	Amortization of Capital Assets	1,470	–	1,470	–	1,470	1,466	4
	Total Sub-program	5,402	–	5,402	–	5,402	5,849	(447)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2004

Schedule 5 continued

		2003-2004 Estimates	Adjustments (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget	2003-2004 Actual Expenses (c)	Unexpended (Over Expended)
2.2	Economics and Competitiveness							
2.2.1	Administrative Support	374	–	374	5,000	5,374	3,997	1,377
2.2.2	Statistics and Data Development	957	–	957	–	957	965	(8)
2.2.3	Economics	1,207	–	1,207	–	1,207	1,270	(63)
2.2.4	Competitive Intelligence	417	–	417	–	417	317	100
2.2.5	Strategic Information Services	867	–	867	–	867	879	(12)
2.2.6	Bilateral Relations and Strategic Initiatives	367	–	367	–	367	320	47
	Total Sub-program	4,189	–	4,189	5,000	9,189	7,748	1,441
2.3	Rural Services							
2.3.1	Administrative Support	260	–	260	–	260	105	155
2.3.2	Farm Income Support Operations	2,866	–	2,866	–	2,866	2,180	686
2.3.3	4-H	1,199	–	1,199	–	1,199	1,174	25
2.3.4	Educational and Community Services	2,532	–	2,532	–	2,532	2,049	483
2.3.5	Agricultural Service Boards							
	– Operating Expense	–	–	–	–	–	29	(29)
	– Operating Expense funded by Lotteries	5,000	–	5,000	–	5,000	5,004	(4)
2.3.6	Agriculture Initiatives							
	– Operating Expense funded by Lotteries	11,620	–	11,620	–	11,620	11,616	4
2.3.7	Farm Fuel Distribution Allowance	33,500	–	33,500	–	33,500	30,972	2,528
2.3.8	Farm Water Program	5,000	–	5,000	6,000	11,000	11,235	(235)
2.3.9	Farm Income Assistance Program	–	–	–	–	–	78	(78)
2.3.10	BSE Recovery	–	–	–	564,285	564,285	488,554	75,731
2.3.11	Grasshopper Control Program	–	–	–	6,000	6,000	10,390	(4,390)
	Total Sub-program	61,977	–	61,977	576,285	638,262	563,386	74,876
2.4	Rural Utilities							
2.4.1	Support Services	5,968	–	5,968	–	5,968	1,379	4,589
2.4.2	Rural Electric – Grants	–	–	–	–	–	478	(478)
2.4.3	Rural Gas Grants	–	–	–	–	–	2,403	(2,403)
2.4.4	Remote Area Heating Allowance	–	–	–	–	–	695	(695)
	Total Sub-program	5,968	–	5,968	–	5,968	4,955	1,013
	Total Program	77,536	–	77,536	581,285	658,821	581,938	76,883

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2004

Schedule 5 continued

		2003-2004 Estimates	Adjustments (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget	2003-2004 Actual Expenses (c)	Unexpended (Over Expended)
3.0	Industry Development							
3.1	Program Support							
3.1.1	Assistant Deputy Minister	455	–	455	–	455	313	142
3.1.2	Marketing Council	554	–	554	–	554	639	(85)
3.1.3	Dairy Control Board	–	–	–	–	–	–	–
3.1.4	Amortization of Capital Assets	649	–	649	–	649	584	65
	Total Sub-program	1,658	–	1,658	–	1,658	1,536	122
3.2	Livestock Industry Development							
3.2.1	Administrative Support	226	–	226	–	226	243	(17)
3.2.2	Beef	1,893	–	1,893	–	1,893	1,825	68
3.2.3	Pork, Poultry and Dairy	1,631	–	1,631	–	1,631	1,615	16
3.2.4	Forage and Horse	1,279	–	1,279	–	1,279	1,164	115
3.2.5	Diversified Livestock	1,583	–	1,583	–	1,583	1,820	(237)
	Total Sub-program	6,612	–	6,612	–	6,612	6,667	(55)
3.3	Crop Diversification							
3.3.1	Administrative Support							
	– Operating Expense	405	–	405	–	405	583	(178)
	– Capital Investment	350	–	350	–	350	362	(12)
3.3.2	Pulse and Oilseed	3,398	–	3,398	–	3,398	3,297	101
3.3.3	Opportunity Crop	2,217	–	2,217	–	2,217	3,286	(1,069)
3.3.4	Cereal	2,192	–	2,192	–	2,192	2,776	(584)
3.3.5	Pest Risk Management	841	–	841	–	841	981	(140)
	Total Sub-program	9,403	–	9,403	–	9,403	11,285	(1,882)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2004

Schedule 5 continued

		2003-2004 Estimates	Adjustments (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget	2003-2004 Actual Expenses (c)	Unexpended (Over Expended)
3.4	Processing Development							
3.4.1	Administrative Support							
	– Operating Expense	886	–	886	–	886	437	449
	– Capital Investment	–	–	–	–	–	863	(863)
3.4.2	Processing – Operations							
	– Operating Expense	1,827	–	1,827	–	1,827	1,287	540
	– Capital Investment	266	–	266	–	266	112	154
3.4.3	Processing – Programs	1,910	–	1,910	–	1,910	1,980	(70)
	Total Sub-program	4,889	–	4,889	–	4,889	4,679	210
3.5	Agri-Food Investment							
3.5.1	Administrative Support	222	–	222	–	222	217	5
3.5.2	Investment Initiatives	1,888	–	1,888	–	1,888	1,959	(71)
3.5.3	Infrastructure Assistance for Municipal Wastewater	5,000	–	5,000	–	5,000	2,750	2,250
	Total Sub-program	7,110	–	7,110	–	7,110	4,926	2,184
3.6	Business and Innovation							
3.6.1	Administrative Support	306	–	306	–	306	330	(24)
3.6.2	Business Development	2,709	–	2,709	–	2,709	2,755	(46)
3.6.3	Business Management Innovations	2,349	–	2,349	–	2,349	2,034	315
3.6.4	Agri-Food/New Uses	3,153	–	3,153	5,000	8,153	3,224	4,929
	Total Sub-program	8,517	–	8,517	5,000	13,517	8,343	5,174
3.7	Ag-Entrepreneurship							
3.7.1	Administrative Support	255	–	255	–	255	1,938	(1,683)
3.7.2	Agri-Preneur Feasibility	744	–	744	–	744	857	(113)
3.7.3	Agri-Preneur Action Team	1,501	–	1,501	–	1,501	1,772	(271)
3.7.4	Agri-Preneur Services	524	–	524	–	524	516	8
	Total Sub-program	3,024	–	3,024	–	3,024	5,083	(2,059)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2004

Schedule 5 continued

		2003-2004 Estimates	Adjustments (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget	2003-2004 Actual Expenses (c)	Unexpended (Over Expended)
3.8	Program Information Services							
3.8.1	Program Information Services	5,751	–	5,751	–	5,751	47,329	(41,578)
	Total Sub-program	5,751	–	5,751	–	5,751	47,329	(41,578)
	Total Program	46,964	–	46,964	5,000	51,964	89,848	(37,884)
4.0	Sustainable Agriculture							
4.1	Program Support							
4.1.1	Assistant Deputy Minister	254	–	254	–	254	324	(70)
4.1.2	Amortization of Capital Assets	801	–	801	–	801	589	212
	Total Sub-program	1,055	–	1,055	–	1,055	913	142
4.2	Resource Management and Irrigation							
4.2.1	Administrative Support	245	–	245	–	245	219	26
4.2.2	Environmentally Sustainable Agriculture	4,801	–	4,801	–	4,801	4,536	265
4.2.3	Conservation and Development							
	– Operating Expense	2,659	–	2,659	–	2,659	3,325	(666)
	– Capital Investment	–	–	–	–	–	12	(12)
4.2.4	Irrigation							
	– Operating Expense	4,480	–	4,480	–	4,480	4,731	(251)
	– Capital Investment	200	–	200	–	200	289	(89)
4.2.5	Irrigation Secretariat	291	–	291	–	291	299	(8)
4.2.6	Irrigation Infrastructure Assistance	20,800	–	20,800	–	20,800	13,982	6,818
	Total Sub-program	33,476	–	33,476	–	33,476	27,393	6,083

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2004

Schedule 5 continued

		2003-2004 Estimates	Adjustments (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget	2003-2004 Actual Expenses (c)	Unexpended (Over Expended)
4.3	Food Safety							
4.3.1	Administrative Support	655	–	655	–	655	528	127
4.3.2	Agri-Food Systems							
	– Operating Expense	3,820	–	3,820	4,141	7,961	4,745	3,216
	– Capital Investment	–	–	–	–	–	23	(23)
4.3.3	Agri-Food Laboratories							
	– Operating Expense	3,333	–	3,333	884	4,217	4,033	184
	– Capital Investment	380	–	380	800	1,180	1,183	(3)
4.3.4	Regulatory Services	4,087	–	4,087	338	4,425	4,973	(548)
4.3.5	Chief Provincial Veterinarian	262	–	262	350	612	728	(116)
	Total Sub-program	12,537	–	12,537	6,513	19,050	16,213	2,837
4.4	Technical Services							
4.4.1	Administrative Support	221	–	221	–	221	236	(15)
4.4.2	Agricultural Engineering							
	– Operating Expense	2,908	–	2,908	–	2,908	3,775	(867)
	– Capital Investment	–	–	–	–	–	229	(229)
4.4.3	Environmental Practices and Livestock Welfare							
	– Operating Expense	2,736	–	2,736	–	2,736	2,997	(261)
	– Capital Investment	–	–	–	–	–	413	(413)
	Total Sub-program	5,865	–	5,865	–	5,865	7,650	(1,785)
	Total Program	52,933	–	52,933	6,513	59,446	52,169	7,277

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2004

Schedule 5 continued

		2003-2004 Estimates	Adjustments (a)	2003-2004 Budget	Authorized Supplementary (b)	2003-2004 Authorized Budget	2003-2004 Actual Expenses (c)	Unexpended (Over Expended)
5.0	Agriculture Insurance and Lending Assistance							
5.0.1	Lending Assistance	8,733	–	8,733	1,000	9,733	9,716	17
5.0.2	Farm Income Disaster	94,034	–	94,034	–	94,034	54,569	39,465
5.0.3	Crop Insurance	132,943	–	132,943	–	132,943	116,015	16,928
5.0.4	Canadian Agricultural Income Stabilization	–	–	–	135,023	135,023	106,471	28,552
5.0.5	Wildlife Damage	2,164	–	2,164	–	2,164	1,718	446
	Total Program	237,874	–	237,874	136,023	373,897	288,489	85,408
	Dedicated Revenue Shortfall (Schedule 2)	–	(811)	(811)	–	(811)	–	(811)
	Total Voted Expenses	$433,019	$(811)	$432,208	$728,821	$1,161,029	$1,030,911	$130,118
	Program Operating Expense	$415,133	$(811)	$414,322	$728,021	$1,142,343	$1,010,805	$131,538
	Program Operating Expense funded by Lotteries	16,620	–	16,620	–	16,620	16,620	–
		431,753	(811)	430,942	728,021	1,158,963	1,027,425	131,538
	Program Capital Investment	1,266	–	1,266	800	2,066	3,486	(1,420)
		$433,019	$(811)	$432,208	$728,821	$1,161,029	$1,030,911	$130,118
Statutory Expenses –								
	Valuation Adjustments	$ –	$ –	$ –	$ –	$ –	$ 1,535	$ (1,535)

(a) Adjustments include dedicated revenue shortfalls.

(b) Supplementary Estimates were approved on December 4, 2003. Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act.

(c) Includes achievement bonus amounting to $1,605.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Salary and Benefits for the Year Ended March 31, 2004

Schedule 6

	2004				2003
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Department					
Senior Official					
Deputy Minister[4]	$148,067	$43,062	$36,317	$227,446	$230,246
Executives – Assistant Deputy Ministers					
Planning and Competitiveness	124,070	23,146	26,682	173,898	174,261
Industry Development	124,187	24,436	30,371	178,994	187,484
Sustainable Agriculture	124,382	25,156	29,473	179,011	180,859
Executives – other					
Exec. Director, Administration	122,235	12,705	28,962	163,902	173,154
Exec. Director, Information Division	106,618	21,560	23,483	151,661	160,203
Boards and Agencies					
Senior Officials					
Farmers' Advocate	92,886	3,355	4,794	101,035	101,515
General Manager, Agricultural Products Marketing Council	89,894	15,339	19,373	124,607	118,096

Prepared in accordance with Treasury Board Directive 03/2004.

Total salary and benefits relating to a position are disclosed.

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, retroactive pay, vacation payouts and lump sum payments.

(3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, WCB premiums, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

Department of Agriculture, Food and Rural Development – Schedule of Related Party Transactions for the Year Ended March 31, 2004

Schedule 7

(In thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2004	2003	2004	2003
Revenues –				
Grants	$ –	$ –	$16,620	$16,620
Fees and charges	–	–	6	36
Other	–	–	591	702
	$ –	$ –	$17,217	$17,358
Expenses – directly incurred				
Grants	$288,489	$200,811	$ 207	$ 63
Other services	–	–	6,534	7,241
	$288,489	$200,811	$ 6,741	$ 7,304
Net capital assets transferred to other entities	$ –	$ –	$ –	$ –

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2004	2003	2004	2003
Expenses – incurred by others				
Accommodation	$ –	$ –	$11,682	$11,704
Legal	–	–	371	238
	$ –	$ –	$12,053	$11,942

Note: The Department receives services under contracts managed by the Ministry of Government Services (ACSC). Any commitments under these contracts are reported by the Ministry of Government Services (ACSC).

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Allocated Costs for the Year Ended March 31, 2004

Schedule 8

(In thousands)

	2004							2003
		Expenses – Incurred by Others		Valuation Adjustments [4]				
Program	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay	Doubtful Accounts	Guarantees	Total Expenses	Total Expenses (Restated)
Industry development	$ 85,762	$ 4,367	$ 46	$(78)	$(17)	$ –	$ 90,080	$ 46,810
Planning and competitiveness	40,709	2,020	113	84	(37)	1,400	44,289	40,858
Sustainable agriculture	36,037	3,842	125	139	–	–	40,143	37,048
Infrastructure assistance	16,732	–	–	–	–	–	16,732	26,988
Ministry support services	18,467	1,453	87	44	–	–	20,051	19,365
Agriculture assistance								
BSE recovery	488,554	–	–	–	–	–	488,554	–
Insurance and lending	127,449	–	–	–	–	–	127,449	96,275
Canadian agricultural income stabilization	106,471	–	–	–	–	–	106,471	–
Farm income assistance	54,646	–	–	–	–	–	54,646	432,326
Farm fuel distribution allowance	30,972	–	–	–	–	–	30,972	30,012
Other assistance	21,626	–	–	–	–	–	21,626	25,660
	$1,027,425	$11,682	$371	$ 189	$(54)	$1,400	$1,041,013	$755,342

(1) Expenses – Directly incurred as per the Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation on Schedule 7, allocated by square footage.

(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

(4) Valuation Adjustments as per Statement of Operations. Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

- Vacation Pay – allocated to the program by employee,
- Doubtful Accounts Provision – estimated allocation to program.
- Guarantees – estimated allocation to program.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2004 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 26, 2004

Balance Sheet as at March 31, 2004

(in thousands)

	2004	2003
Assets		
Cash	$ 61,775	$ 117,046
Accounts receivable *(Note 4)*	7,876	17,353
Due from Province of Alberta	46,242	50,946
Due from Government of Canada	208,634	79,381
Due from Crop Reinsurance Fund of Canada for Alberta	–	15,977
Loans receivable *(Note 5)*	988,182	966,121
Investments *(Note 6)*	100,297	104,815
Property, plant and equipment *(Note 7)*	23,174	18,510
	$1,436,180	**$1,370,149**
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 24,950	$ 27,159
Estimated indemnities payable *(Note 8)*	263,024	164,247
Advance from Province of Alberta	–	110,000
Due to Crop Reinsurance Fund of Canada for Alberta	4,740	–
Allowance for losses on loan guarantees *(Note 14)*	1,263	1,492
Notes payable *(Note 9)*	924,652	903,213
Deferred revenue *(Note 10)*	19,018	31,617
	1,237,647	1,237,728
Surplus	198,533	132,421
	$1,436,180	**$1,370,149**

Contingencies and commitments *(Note 14)*

The accompanying notes and schedules are part of these financial statements.

Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2004
(in thousands)

	2004 Budget (Note 3(a))	2004 Actual (Schedule 1)	2003 Actual
Revenue			
Premiums from insured persons, net	$ 148,794	$131,663	$ 91,314
Interest	83,521	75,424	72,455
Contribution from Province of Alberta, net	224,573	278,619	192,999
Contribution from Government of Canada, net	26,918	295,291	147,749
Investment income	5,794	10,970	28,161
Fees and other income	4,428	3,067	3,624
	494,028	**795,034**	536,302
Expense			
Indemnities, net	435,761	608,849	888,416
Administration *(Schedule 2)*	56,108	52,341	47,544
Interest	55,853	47,212	47,197
Farm loan incentives	7,041	5,728	6,401
Provision for doubtful accounts and for losses *(Note 13)*	5,626	5,070	3,504
Adjusting, net	6,576	8,060	2,771
Selling commissions	2,112	1,662	1,317
	569,077	**728,922**	997,150
Surplus (deficiency) of revenue over expense before recoveries	(75,049)	66,112	(460,848)
Net recoveries	54,654	–	171,632
Surplus (deficit) for the year	**$(20,395)**	**66,112**	(289,216)
Surplus at beginning of year		132,421	421,637
Surplus at end of year		**$198,533**	**$132,421**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2004

(in thousands)

	2004	2003
Operating Activities		
Surplus (deficit) for the year	$ 66,112	$(289,216)
Changes not affecting cash	3,278	(5,138)
Changes in assets and liabilities relating to operations	(121,954)	133,132
Net cash utilized by operating activities [1]	**(52,564)**	(161,222)
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	159,862	153,438
Loan disbursements	(184,923)	(163,658)
Purchase of investments	(218,446)	(531,521)
Proceeds on disposal of investments	224,412	804,847
Purchase of property, plant and equipment	(8,549)	(4,577)
Proceeds on disposal of property, plant and equipment	50	106
Net cash (utilized) provided by investing activities	**(27,594)**	258,635
Financing Activities		
Borrowing from the Province of Alberta	1,103,226	875,288
Repayment of borrowing from the Province of Alberta	(1,081,805)	(873,008)
Government of Canada funding for property, plant and equipment	2,094	413
Province of Alberta funding for property, plant and equipment	1,372	553
Net cash provided by financing activities	**24,887**	3,246
Net (decrease) increase in cash from operating, investing and financing activities	**(55,271)**	100,659
Cash at beginning of year	117,046	16,387
Cash at end of year	**$ 61,775**	**$ 117,046**

[1] Net cash provided by operating activities includes $47,075,000 (2003 $47,436,000) of interest paid.

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2004

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the Agriculture Financial Services Act, Chapter A-12 RSA 2000.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and agricultural income stabilization payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business planning/counseling.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

(b) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Software development costs	10 years
Equipment and furniture	10 years
Vehicles	5 years
Computer equipment	5 years

(d) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

(e) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Due from Crop Reinsurance Fund of Canada for Alberta, Accounts payable and accrued liabilities, Estimated indemnities payable, Advance from Province of Alberta and Due to Crop Reinsurance Fund of Canada for Alberta. Fair values of Loans receivable, Investments and Notes payable are disclosed in their respective notes.

(f) Reinsurance

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the crop insurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 17).

Premiums from insured persons, Contributions from the Province of Alberta, Contributions from the Government of Canada, Indemnities and Adjusting are recorded net of amounts ceded to or recoverable from non-government reinsurers. Estimates of amounts recoverable from non-government reinsurers on indemnities and adjusting expenses are recorded in Accounts Receivable. Contributions for the Government of Canada are recorded net of amounts ceded to the Crop Reinsurance Fund of Canada for Alberta.

Note 2 continued

(g) Loan Discounting
Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(h) Revenue Recognition
Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for property, plant and equipment acquisitions are recorded as deferred revenue until that revenue is recognized on the same basis as those property, plant and equipment costs are amortized.

Loan application fees are recognized when the application is received. Loan fees are recognized when received which is after approval but prior to the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(i) Pensions
The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(j) Provision for Losses on Loans and Guarantees
Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

The majority of the Corporation's loan portfolio is with beginning and developing business operations and hence, is subject to high risk. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages and applies them to loans receivable balances categorized into risk pools. Risk pools are established based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(k) Transactions with Related Parties
All related party transactions have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 16).

Note 3 Financial Structure

(a) Budget
The Board of Directors approved the Corporation's budget in January 2003. Contributions from the Province of Alberta of $237,875,000 was authorized by the Legislative Assembly and is reflected in the Corporation's budget approved by the Board. The budgeted contribution from the Province of Alberta was adjusted by $13,302,000 for ceded reinsurance and deferred revenue.

(b) Crop Fund Balance Restriction
In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the crop insurance fund is restricted to being used for crop insurance purposes.

Note 3 continued

(c) Other Revenue and Expenses

The Other column in the Schedule of Revenue, Expense and Surplus includes the wildlife program, and consulting fees and expenses that are not attributable to any of the programs disclosed in the Schedule.

Note 4 Accounts Receivable

	2004	2003
	(in thousands)	
Premiums from insured persons:		
Crop insurance program	$7,803	$17,450
Hail insurance program	178	128
Prepaid expenses	543	385
Other	456	425
	8,980	18,388
Less allowances for doubtful accounts (Note 13)	(1,104)	(1,035)
	$7,876	$17,353

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2004				2003
	Recorded Investment	Specific Allowance	General Allowance	Net Carrying Value	Net Carrying Value
			(in thousands)		
Farm lending	$ 837,361	$ (2,491)	$(28,637)	$ 806,233	$789,466
Commercial lending	172,861	(10,571)	(1,430)	160,860	158,301
	$1,010,222	$(13,062)	$(30,067)	967,093	947,767
Accrued interest				26,547	24,680
Accrued incentives				(2,580)	(2,672)
Loan discounts				(2,878)	(3,654)
				$ 988,182	$966,121

Impaired loans included in the preceding schedule:

	2004			2003
	Recorded Investment	Specific Allowance	Net Carrying Value	Net Carrying Value
		(in thousands)		
Commercial lending	$22,549	$(10,571)	$11,978	$ 8,563
Farm lending	7,820	(2,491)	5,329	5,325
	$30,369	$(13,062)	$17,307	$13,888

The impaired loans balance includes property held for sale which has been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of $1,227,000 (2003 $1,409,000) on property balances outstanding of $2,372,000 (2003 $2,738,000).

Loans receivable does not include prepaid balances $12,311,000 (2003 $15,918,000) which are included in Accounts payable and accrued liabilities.

Note 5 continued

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2004	2003
	(in thousands)	
Alberta Disaster Assistance Loan program	$56,899	$15,869
Alberta Farm Income Disaster loans	33,683	40,579
Indexed Deferral Plan	1,381	3,186
	$91,963	$59,634

Loans receivable of $988,182,000 is subject to measurement uncertainty. The amount established for specific and general allowances of $43,129,000 to cover estimated losses on loans (see Note 2(j)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

The approximate fair value of loans receivable at March 31, 2004 is $973,376,000 (2003 $951,297,000). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 6 Investments

	2004	2003
	(in thousands)	
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 46,044	$ 19,853
Other provincial direct and guaranteed	20,405	45,058
	66,449	64,911
Corporate securities	32,759	38,305
	99,208	103,216
Accrued interest	1,089	1,599
	$100,297	$104,815

The fair value of investments at March 31, 2004 is $104,806,000 (2003 $106,801,000). Fair value is based on quoted market prices including accrued interest.

Note 7 Property, Plant and Equipment

	Cost	2004 Accumulated Amortization	Net Book Value	2003 Net Book Value
		(in thousands)		
Software development costs	$20,819	$ 8,746	$12,073	$11,982
Computer equipment	6,904	4,589	2,315	1,902
Building	6,299	1,288	5,011	1,803
Equipment and furniture	4,801	1,959	2,842	2,028
Vehicles	1,516	863	653	515
Land	280	–	280	280
	$40,619	$17,445	$23,174	$18,510

Software development costs include $1,872,000 (2003 $2,308,000) and building costs include $3,380,000 (2003 $55,000) of costs incurred that are not amortized because they are still in the developmental or construction stage.

Note 8 Estimated Indemnities Payable

	2004	2003
	(in thousands)	
Canadian Agricultural Income Stabilization program	$241,504	$ –
Farm Income Disaster program	16,301	131,679
Crop insurance	4,648	30,580
Wildlife compensation	505	1,960
Hail insurance	66	28
	$263,024	$164,247

Estimated indemnities payable of $241,504,000 and corresponding contributions and receivables from the Province of Alberta and the Government of Canada for the Canadian Agricultural Income Stabilization Program are subject to measurement uncertainty. The estimated indemnities payable and corresponding contributions for the CAIS program could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly. Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of participants elected their coverage levels and information necessary to process a claim is received. It is also difficult to predict the estimated indemnities because of the wide variation business risks may have on individual program margins and the 2003 taxation year is the first year of this new program.

Note 9 Notes Payable

Notes payable to the Province of Alberta are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2004	Effective Interest Rate	2003
		(in thousands)		
Within 1 year	2.14% - 6.15%	$123,845	2.91% - 5.41%	$ 93,195
1 to 5 years	3.64% - 5.54%	177,605	3.10% - 6.15%	228,696
6 to 10 years	5.43% - 7.64%	294,799	5.56% - 7.64%	275,556
Over 10 years	5.04% - 6.52%	315,431	5.43% - 6.52%	292,115
Accrued interest		12,972		13,651
		$924,652		$903,213

Net unamortized discounts of $3,346,000 (2003 $3,228,000) are included in the balances disclosed.

Principal repayments due in each of the next five years are as follows:

	(in thousands)
Year ending March 31, 2005	$181,824
2006	$134,804
2007	$130,704
2008	$ 87,629
2009	$ 59,688

The approximate fair value at March 31, 2004 is $985,299,000 (2003 $923,957,000). Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

(a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a factor to reflect the blended payment structure of the notes.

Note 10 Deferred Revenue

	2004	2003
	(in thousands)	
Province of Alberta property, plant and equipment	$ 7,146	$ 7,464
Premiums from insured persons	6,094	19,398
Government of Canada property, plant and equipment	5,778	4,755
	$19,018	$31,617

Note 11 Reinsurance

In addition to the protection provided by reinsurance arrangements between the provincial and federal governments, the Corporation has obtained reinsurance from non-government sources. For Crop Insurance, the Corporation reinsured a maximum of $193,378,000 of the risk. For Hail Insurance, the Corporation reinsured a maximum of $4,177,000 of the risk.

Note 12 Pensions

The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,791,000 for the year ended March 31, 2004 (2003 $1,370,000).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of $290,014,000 (2002 deficit $301,968,000) and the Public Service Pension Plan reported an actuarial deficiency of $596,213,000 (2002 actuarial deficit $175,528,000). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,312,000 (2002 surplus $6,472,000).

Note 13 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable	Commercial Lending Loans Receivable	Loan Guarantees (Note 14)	Total
			(in thousands)		
Allowances at March 31, 2002	$1,092	$25,145	$12,580	$1,665	$40,482
Provision for 2002-03	(36)	3,138	575	(173)	3,504
Write-offs in 2002-03, net of recoveries	(21)	(718)	(941)	–	(1,680)
Allowances at March 31, 2003	1,035	27,565	12,214	1,492	42,306
Provision for 2003-04	84	4,305	910	(229)	5,070
Write-offs in 2003-04, net of recoveries	(15)	(742)	(1,123)	–	(1,880)
Allowances at March 31, 2004	$1,104	$31,128	$12,001	$1,263	$45,496

Note 14 Contingencies and Commitments

	2004	2003
	(in thousands)	
Loan guarantees	$38,829	$46,263
Less allowances for losses (Note 13)	(1,263)	(1,492)
	37,566	44,771
Legal actions	79	1,100
Total contingencies	$37,645	$45,871

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation under the Alberta Farm Development Loans program. The loans outstanding at March 31, 2004 made by other financial institutions were $71,961,000 (2003 $83,829,000). Loan guarantees under the Alberta Farm Development Loans program include the maximum liability on loan guarantees of $29,200,000 (2003 $33,125,000) to which the Corporation is exposed under the terms of the agreements with the financial institutions subject to recoveries on underlying securities.

The outcome of the legal actions is not determinable at this time.

	2004	2003
	(in thousands)	
Approved, undisbursed loans	$40,606	$34,390
Estimated farm loan incentives	16,205	17,774
Building costs	2,521	–
Operating leases	1,961	3,230
Reinsurance	–	31,801
Total commitments	$61,293	$87,195

The operating lease commitments are for accommodations and vehicles with terms up to five years.

Note 15 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

The following table provides a breakdown of the loan receivables by sector. This analysis provides an indication of the concentration of credit risk on the loan portfolio. Significant information is provided throughout these statements to disclose other concentrations of credit risk.

Note 15 continued

	2004	2003
	(in thousands)	
Loans receivable by sector:		
Grain	$ 423,167	$ 422,274
Beef	312,111	279,996
Accomodation and food services	34,708	33,000
Hog	33,063	32,780
Trade – retail and wholesale	27,141	26,201
Manufacturing	18,807	16,904
Processors/Feedmills	10,108	12,815
Other	172,206	181,930
	1,031,311	1,005,900
Allowance	(43,129)	(39,779)
	$ 988,182	$ 966,121

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. The following provides a breakdown of the gaps between the notes payable and the loan portfolio. Because there are no early repayment penalties on most loan programs, the gap analysis includes an adjustment for expected repayments based on historical patterns.

	Term to Maturity [1]						
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive [2]	2004 Total	2003 Total
				(in thousands)			
Farm loans	$ 72,624	$246,421	$262,291	$250,934	$ (4,875)	$827,395	$809,903
Yield [3]	6.97%	7.08%	7.08%	6.93%	–	7.05%	7.22%
Commercial loans	$ 59,994	$ 98,782	$ 1,302	$ –	$ 709	$160,787	$156,218
Yield [3]	8.08%	8.48%	7.29%	–	–	8.28%	8.68%
Total	$132,618	$345,203	$263,593	$250,934	$ (4,166)	$988,182	$966,121
Yield [3]	7.12%	7.15%	7.08%	6.93%	–	7.11%	7.30%
Notes payable Province of Alberta	$181,824	$412,8[illegible]	$221,498	$ 98,917	$ 9,588	$924,652	$903,213
Yield [3]	5.16%	5.68%	5.84%	5.53%	–	5.58%	5.69%
Net gap before prepayment adjustment	$(49,206)	$(67,622)	$ 42,095	$152,017	$(13,754)	$ 63,530	$ 62,908
Estimated prepayment	49,930	71,023	(24,493)	(96,460)	–	–	–
Net gap	$ 724	$ 3,401	$ 17,602	$ 55,557	$(13,754)	$ 63,530	$ 62,908

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2004. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2004 an immediate and sustained increase in interest rates of 1% would increase net interest paid by $162,000 and would increase the net fair market value of loans and financing for the next fiscal year by $15,734,000 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net interest paid and would decrease the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 15 continued

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	2004 Total	2003 Total
			(in thousands)			
Bonds and debentures	$ –	$36,198	$19,912	$10,339	$ 66,449	$ 64,911
Yield [3]	–	4.18%	4.78%	5.85%	4.62%	5.19%
Corporate securities	–	32,759	–	–	32,759	38,305
Yield [3]	–	5.21%	–	–	5.21%	5.27%
	–	68,957	19,912	10,339	99,208	103,216
Accrued interest	–	754	181	154	1,089	1,599
	$ –	$69,711	$20,093	$10,493	$100,297	$104,815

[1] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual or annual installments of principal. For investments, term to maturity classifications are based on contractual maturity date of the security.

[2] Includes general provisions, accrued interest and unamortized loan discount.

[3] For notes payable and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date or the rate which discounts future cash receipts to the carrying amount.

Note 16 Related Party Transactions

Sufficient information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2004	2003
	(in thousands)	
Interest expense – Province of Alberta	$47,212	$47,196
Administration expense – Province of Alberta	1,964	2,368

Note 17 Crop Reinsurance Funds

The contributions, withdrawals and accumulated deficit positions of the Crop Reinsurance Fund of Alberta and Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(f)):

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2004	2003	2004	2003
	(in thousands)		*(in thousands)*	
Opening (deficit) surplus	$(44,889)	$ 53,518	$(94,407)	$ 77,225
Contributions	24,070	–	32,566	–
	(20,819)	53,518	(61,841)	77,225
Withdrawals	–	(98,407)	–	$(171,632)
Closing deficit	$(20,819)	$(44,889)	$(61,841)	$ (94,407)

Note 18 Subsequent Event

The Canadian Agricultural Income Stabilization Program is administered in accordance with the Federal/ Provincial Agricultural Policy Framework Implementation Agreement. Amendments to the Agreement are implemented from time to time in support of program evolution and delivery. A third amendment was implemented on May 21, 2004 to enhance the program for the 2003 taxation year to provide coverage for negative margins, increase payment caps for claims and modify the deposit requirements. As of March 31, 2004, Alberta had committed to the anticipated amendment, however the financial impact of the amendment will be reflected in the next fiscal year, the period in which the amendment to the agreement came into force. The estimated cost of this amendment is $120,000,000. The cost and the corresponding contributions from the Province of Alberta and the Government of Canada are subject to measurement uncertainty (See Note 8).

Note 19 Comparative Figures

The 2003 figures have been reclassified where necessary to conform to 2004 presentation.

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2004

Schedule 1
(in thousands)

	2004 Canadian Agricultural Income Stabilization	2003 Canadian Agricultural Income Stabilization	2004 Crop Insurance	2003 Crop Insurance	2004 Farm Income Disaster	2003 Farm Income Disaster	2004 Farm Lending	2003 Farm Lending
Revenue:								
Premiums from insured persons, net	$ –	$ –	$120,085 [1]	$ 82,289 [1]	$ –	$ –	$ –	$ –
Interest	–	–	422	222	18	20	59,219	58,562
Contribution from Province of Alberta, net	105,501	–	106,418 [2]	72,675 [2]	54,784	104,415	3,855	3,290
Contribution from Government of Canada, net	158,251	–	76,181 [3]	69,072 [3]	59,277	76,252	–	–
Investment income	–	–	6,988	23,178	259	556	167	220
Fees and other income	–	–	73	67	–	42	1,682	1,767
	263,752	–	310,167	247,503	114,338	181,285	64,923	63,839
Expense:								
Indemnities, net	261,794	–	222,168 [5]	695,773 [5]	109,520 [7]	176,653	–	–
Administration, Schedule 2	1,958	–	20,413	19,857	4,818	4,632	12,799	11,290
Interest	–	–	–	–	–	–	42,343	42,112
Farm loan incentives	–	–	–	–	–	–	5,728	6,401
Provision for doubtful accounts and for losses	–	–	88	(16)	–	–	3,823	2,997
Adjusting, net	–	–	7,447 [6]	2,380 [6]	–	–	–	–
Selling commissions	–	–	–	–	–	–	–	–
	263,752	–	250,116	717,994	114,338	181,285	64,693	62,800
Surplus (deficiency) of revenue over expense before recoveries	–	–	60,051	(470,491)	–	–	230	1,039
Recoverable from Government of Canada (Note 17)	–	–	–	171,632	–	–	–	–
Recoverable by Province of Alberta	–	–	–	–	–	–	–	–
	–	–	–	171,632	–	–	–	–
Surplus (deficit) for the year	–	–	60,051	(298,859)	–	–	230	1,039
Surplus at beginning of year	–	–	30,513	329,372	–	–	1,039	–
Surplus at end of year	$ –	$ –	$ 90,564	$ 30,513	$ –	$ –	$ 1,269	$ 1,039

Agency – continued

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2004

Schedule 1 – continued

(in thousands)

	2004 Commercial Lending	2003 Commercial Lending	2004 Hail Insurance	2003 Hail Insurance	2004 Other	2003 Other	2004 Total	2003 Total
Revenue:								
Premiums from insured persons, net	$ –	$ –	$11,578 (4)	$ 9,025 (4)	$ –	$ –	$131,663	$ 91,314
Interest	15,718	13,620	47	31	–	–	75,424	72,455
Contribution from Province of Alberta, net	6,336	9,035	–	–	1,725	3,584	278,619	192,999
Contribution from Government of Canada, net	–	–	–	–	1,582	2,425	295,291	147,749
Investment income	148	212	3,401	3,994	7	1	10,970	28,161
Fees and other income	790	1,249	183	176	339	323	3,067	3,624
	22,992	24,116	15,209	13,226	3,653	6,333	795,034	536,302
Expense:								
Indemnities, net	–	–	12,329	10,209	3,038	5,781	608,849	888,416
Administration, Schedule 2	11,296	10,827	840	753	217	185	52,341	47,544
Interest	4,869	5,085	–	–	–	–	47,212	47,197
Farm loan incentives	–	–	–	–	–	–	5,728	6,401
Provision for doubtful accounts and for losses	1,142	543	17	(20)	–	–	5,070	3,504
Adjusting, net	–	–	371	172	242	219	8,060	2,771
Selling commissions	–	–	1,662	1,317	–	–	1,662	1,317
	17,307	16,455	15,219	12,431	3,497	6,185	728,922	997,150
Surplus (deficiency) of revenue over expense before recoveries	5,685	7,661	(10)	795	156	148	66,112	(460,848)
Recoverable from Government of Canada (Note 17)	–	–	–	–	33	–	33	171,632
Recoverable by Province of Alberta	–	–	–	–	(33)	–	(33)	–
	–	–	–	–	–	–	–	171,632
Surplus (deficit) for the year	5,685	7,661	(10)	795	156	148	66,112	(289,216)
Surplus at beginning of year	50,640	42,979	49,881	49,086	348	200	132,421	421,637
Surplus at end of year	$56,325	$50,640	$49,871	$49,881	$ 504	$ 348	$198,533	$ 132,421

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2004

Schedule 1 – continued

(1) Premiums from insured persons are net of ceded to reinsurance of $13,978,000 (2003 $10,547,000).

(2) Contribution from Province of Alberta is net of ceded to reinsurance of $10,189,000 (2003 $8,657,000) and includes contributions for administration and adjusting costs of $12,203,000 (2003 $11,617,000) resulting in a premium contribution of $104,404,000 (2003 $69,715,000).

(3) Contribution from Canada is net of ceded to reinsurance of $44,934,000 (2003 $7,578,000) and includes a contribution for administration and adjusting costs of $16,925,000 (2003 $11,401,000) resulting in a premium contribution of $104,190,000 (2003 $65,249,000).

(4) Premiums from insured persons are net of ceded to reinsurance of $319,000 (2003 $279,000).

(5) Indemnities are net of reinsurance recoveries of $9,000,000 (2003 $108,006,000).

(6) Adjusting expense is net of reinsurance recoveries of $0 (2003 $5,400,000).

(7) The program is terminated effective December 31, 2002. The amount represents excess over estimates accrued for the 2002 taxation year at March 31, 2003.

Agency – continued
Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2004

Schedule 2
(in thousands)

	2004 Budget (Note 3(a))	2004 Actual	2003 Actual
Salaries and benefits (Note 12)	$33,577	$31,528	$29,298
Contracted services	8,093	7,086	5,239
Amortization of capital assets	3,450	3,683	3,311
Office accomodation costs	3,860	3,011	3,144
Stationery and supplies	1,179	1,150	989
Data processing	955	1,090	826
Travel and automobile	996	974	960
Advertising	1,040	904	801
Professional services	511	628	620
Telecommunications	820	593	579
Training, meetings, seminars, conferences	203	406	417
Directors' fees and expenses	449	398	488
Postage and freight	243	362	339
Equipment, rental and maintenance	471	349	361
Miscellaneous	261	179	172
	$56,108	$52,341	$47,544

Agency – continued

Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2004

Schedule 3

(in thousands)

	2004			2003
	Salary and Wages[1]	Benefits and Allowances[2]	Total	Total
Chair	$ 66	$ –	$ 66	$ 85
Board members	232	–	232	253
President and Managing Director	178	37	215	212
Vice-President, Finance	145	29	174	178
Vice-President, Information Technology and Administrative Services	148	30	178	178
Vice-President, Insurance Operations	148	36[3]	184	179
Vice-President, Lending Operations	148	30	178	166
Executive Consultant and Research Director	148	46[4]	194	177

(1) Salary and wages are fees for Chair and Board members and regular base pay and achievement bonus for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, flexible health, dental and vision care allowance, group life insurance, pensions, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in benefits and allowances for an automobile provided to the President and Managing Director.

(3) Benefits and allowances include vacation payments of $5,000.

(4) Benefits and allowances include vacation payments of $15,000.

Summary of Financial Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2004

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs	
Departmental accounts receivable	$ –
Agriculture Financial Services Corporation	1,880,655
Total remissions, compromises and write-offs	**$1,880,655**

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2004

Program/Borrower	**Amount of Guarantee or Indemnity**	**Payments**	**Recoveries**
Agriculture Financial Services Corporation	$2,913,547	$207,197	$5,759
Total guarantees and indemnities given	**$2,913,547**	**$207,197**	**$5,759**

Alphabetical List of Government Entities' Financial Statements

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation[1]	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Dairy Control Board[2]	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance

[1] The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.

[2] Dissolved August 1, 2003

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta[1]	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development

[1] The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[3]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[3]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[3]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[3]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[3]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[3]	Human Resources and Employment
Ministry of Infrastructure[3]	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[3]	International and Intergovernmental Relations
Ministry of Justice[3]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[3]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation[3]	Transportation

[3] Ministry includes only the departments so separate department financial statements are not necessary.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Boards:	Community Development
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
Provincial Board	
South Region Community Board	
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation	Community Development

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment

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